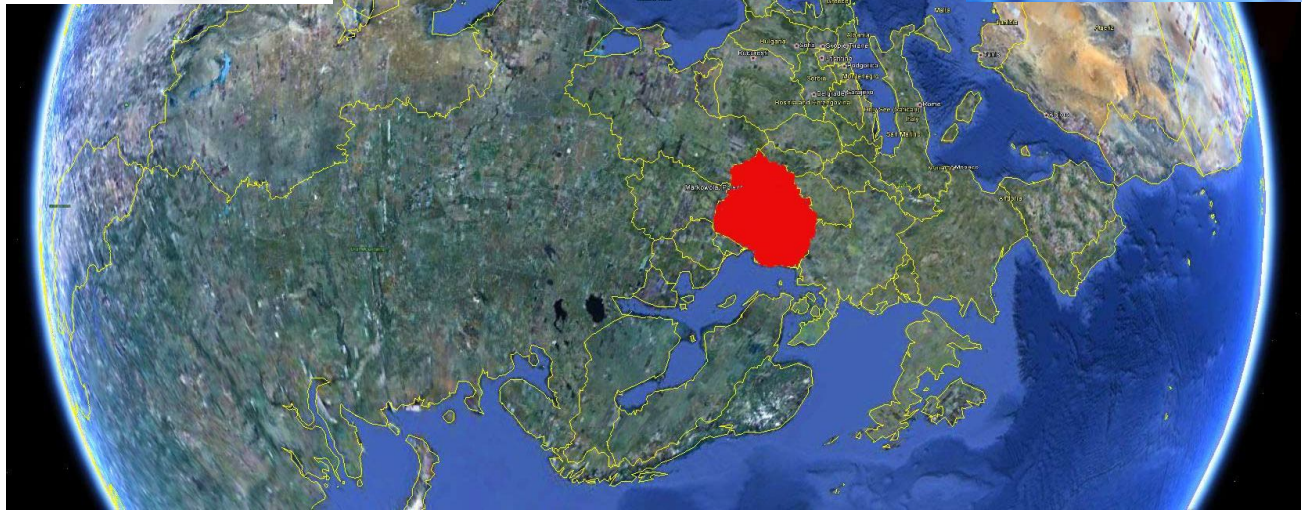


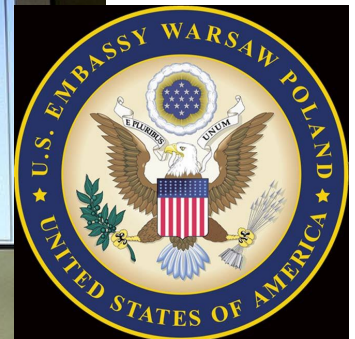
FRACK EU: UNCONVENTIONAL INTRIGUE IN POLAND

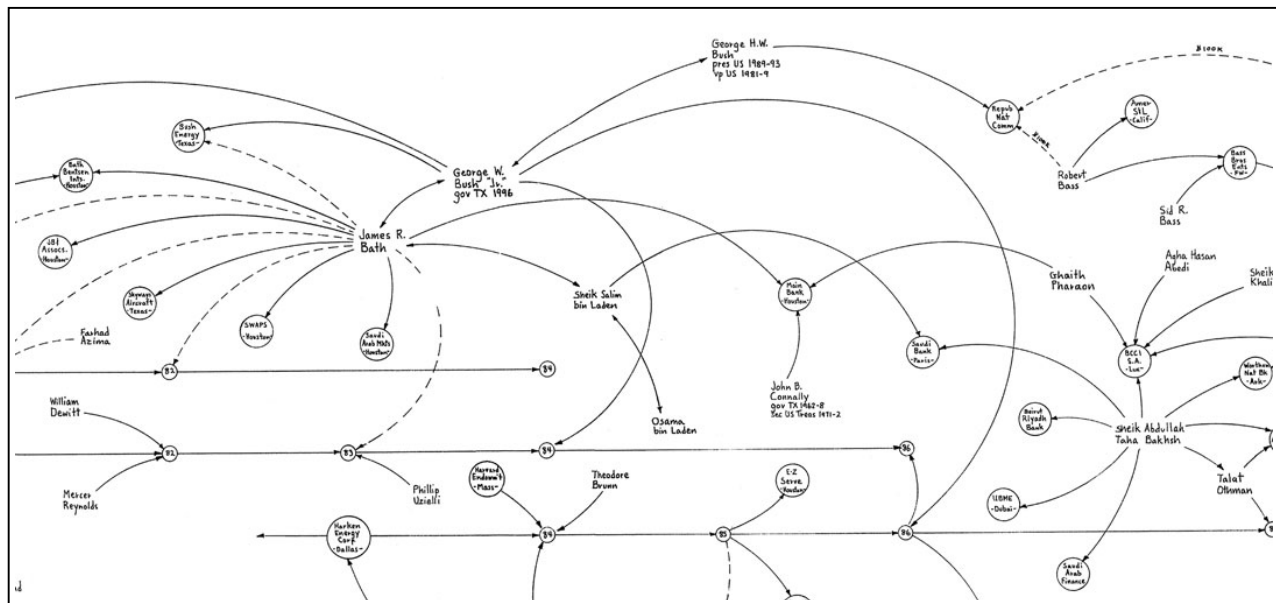


A Preliminary Investigation of the Fracking Assault on Poland



Conceived, researched, written, edited, produced and financed
by Will Koop, B.C. Tap Water Alliance
January 23, 2012
(www.bctwa.org/FrackingBC.html)





MARK LOMBARDI TRIBUTE

Cut out (above) from Mark Lombardi's famous 1999 drawing, *George W. Bush, Harken Energy and Jackson Stephens, ca 1979-90*. Lombardi used to be a reference librarian in the Houston, Texas Public Library, in the Fine Arts department. Based on his ongoing research from an array of publications and his non-digitized card reference index of some 14,000 entries, he created a series of artful, complex pencil-drawn flow charts depicting corporate, political, crime and conspiracy networks on very large paper canvases, as the one seen in the photo to the right. Lombardi's art-chart works would inspire other creative artists/researchers who would invent their own conceptual approach to chart-art, images cast from a labyrinth of creative connective line works and identification tags.



*And he found ingenious and beautiful ways to form these arcs into fragmented circles, spheres, and even insect like images, always with the effect of **clarifying the underlying narrative**. In Lombardi's **cosmology**, the little crooks, cons, and double-dealers revolve in perpetual orbit around the heavier CEOs, oil companies, and corrupt government officials. Ask yourself: What the giant, graceful lines forming a globe in a drawing like "World Finance Corporation and associates c. 1970 – 84, Miami – Ajman – Bogotá – Caracas (7th Version)," 1999, are curving around? The answer: **international law**. But again, we have to ask ourselves why? If Lombardi's work was so focused (some might even say obsessed) with simply creating flow charts of global conspiracies, why couldn't it be translated into a range of alternate media? Silkscreen, web site, etched aluminum panel, lithograph – Lombardi contemplated them all and rejected them all as unsatisfactory. Everything other than the most basic tools of creation – pencil and paper – seemed to fall short. (Mark Lombardi, by Deven Golden. Golden was Lombardi's art dealer from 1997-2000.)*

*We can see that there is something like a demonstration, a connection, points of connections. You have something very surprising, because Lombardi knew all that before the facts. We have somewhere, a great drawing about the Bush dynasty which is really prophetic, which is an artistic prophecy, that is a creation of a new knowledge, and so it's really surprising to see that after the facts. And it's really the capacity, the ability of art to present something before the facts, before the evidence. And it's something calm and elevated, like a star. **You know, it's like a galaxy, see, it's something like the galaxy of corruption**. So, the three determinations are really in the works of Lombardi. And so it's the creation of a new possibility of art and a new vision of the world, our world. But a new vision which is not purely conceptual, ideological or political, a new vision which has it's proper shape, which creates a new artistic possibility, something which is new knowledge of the world has a new shape, like that. (Alain Badiou, *Fifteen Theses on Contemporary Art*)*

Preface

I began writing this report on Saturday afternoon, September 24, 2011, after composing, editing and posting a series of seventeen YouTube videos of Jessica Ernst's and Andrew Nikiforuk's September 10, 2011 presentations at the POWERS workshop, *What Fresh Hell is This?*, held in Cochrane Alberta, concerning the history and politics of hydraulic fracturing (fracking). Little did I realize or anticipate at the time that I would be spending the next four long months laying out this report.

It all began by investigating the Stephen Harper government's unofficial announcement on September 20, 2011 in the House of Commons - made by Environment Minister Peter Kent's colleague, Michelle Rempel, Alberta Conservative MP for Calgary Centre-North - that the more than friendly energy-corporate Harper administration would begin a long drawn-out review of fracking in Canada, while fracking operations increasingly continued in Canada's Western Sedimentary Basin. Rempel's announcement slipped out ten days after the precedent-setting POWERS' workshop in Alberta, Rempel's and the Prime Minister's home province, and nine days after three Alberta Blood Tribe members were arrested by the R.C.M.P. for protesting fracking operations on the Blood Tribe Reservation southwest of Lethbridge.

Based on our presentation to a federal committee on fracking in February 2011, and our press release of April 2011 (see Appendix A), my immediate interest in the federal announcement stemmed from comments made by Nikiforuk at the POWERS' workshop (from Part 9 of Nikiforuk's YouTube series), wherein he strongly criticized the federal and the three western provincial governments for ignoring to implement comprehensive studies related to fracking:

*What are the Europeans saying, because the Americans want to frack them like hell? Here's the European Union. I mean, have you seen a study like this in Alberta? **Impacts of Shale Gas and Shale Oil Extraction on the Environment and Human Health.** Has British Columbia done a study like this? Has Saskatchewan done a study like this? Has the federal government done a study like this? No, we have to go to the European Union. What do they say?*

- *Don't do this until you've got a thorough cost-benefit analysis for society.*

Is it worth the investment? Heh man, why would you do this with toxic fracking fluids?

- *Strengthen regional regulators and public participation.*
- *Mandatory monitoring for water surface flows.*
- *Air emissions.*
- *Public reporting of accidents and statistics.*
- *Special regulatory framework because of the risks to humans and the environment posed by hydraulic fracking.*

While I began investigating comments and information made on the European Union's research report of June 2011 on fracking, I stumbled upon the following September 14th article published in London-England's **Petroleum Economist**, *Canada lends shale-gas support to Poland*:

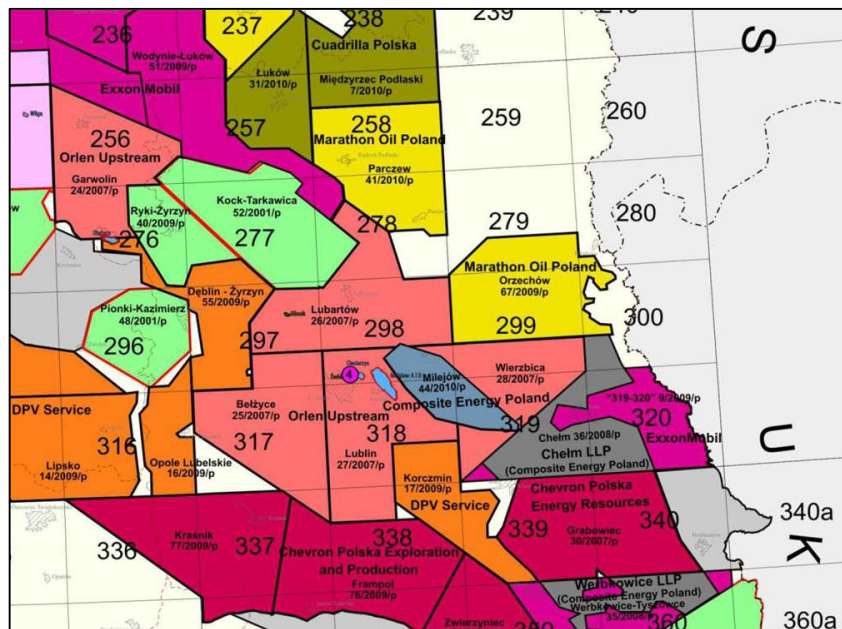
*Representatives from the Canadian embassy in Poland **have been advising the Polish government for the past year** ... with the regulatory framework it aims to establish to ensure the successful development of its nascent shale-gas industry. The regulations recommended*

by Canada include setting up mechanisms to deal with the environmental and local-community impacts shale-gas production can have, as well as offering advice on a taxation and royalty framework that would attract investment from oil and gas companies.

I had to stop for a moment to collect my thoughts, and began formulating critical questions, the later basis of my chapter *Harpers Men in Poland*:

- How could the Canadian Embassy in Poland be qualified, or from whence did it assume its mandate, to provide advice on a regulatory framework policy for fracking in Poland when the Canadian government is without such a policy, when our provincial governments are without the same, and without a comprehensive scientific study basis?
- What exactly was this advice, what were the regulatory terms and conditions?
- Who at the Canadian Embassy was involved in this, and who were the lobbyists?

On the same day the Petroleum Economist article was published, news reports coincidentally surfaced that Canadian-based Encana Corporation (in recent financial and legal liability difficulties) had “reached an agreement with Polish oil group **PKN ORLEN** for part of its shale gas exploration licenses in southeastern Poland ... in Poland’s eastern Lublin district”.¹ A September 14th news release also stated how in “May, Poland said it would push ahead with shale gas exploration despite a recent French ban over concerns that hydraulic fracturing - known as fracking - used in shale gas extraction is environmentally risky.”



Segment of recent Polish Ministry of Environment Concessions map of south-east Poland showing Encana’s partner farm-in areas with PKN Orlen S.A. (shown in pinkish-orange, identified as Orlen Upstream) in the Lublin District. Each map grid square is about 32 by 32 kilometres.

Intrigued by the inter-play or fusion of international politics and studies (or lack thereof in Canada) on the subject of fracking, particularly related to politics surrounding the recent European Union study, I quickly took an unswerving and passionate interest in unearthing the recent history and

concentration of unconventional shale gas and oil investment interests in Poland. As I scanned through reams of documents over the following weeks and months, I found myself in the thick of the new European political fracking battlefield, in a proverbial hornet’s nest, discovering the enormous public relations efforts and plays by energy corporations and their minions to begin winning over Europeans - all for the benefit of Poland, of course - a veritable coup de gas.

¹ Only one article stated that Encana had been quietly negotiating for a year.

The chief executive of one the largest oil and natural gas services companies in the world has said that shale gas could be much harder to recover in Europe than in the United States, because of concerns about environmental damage and other issues.

“We should not underestimate the challenge,” Andrew F. Gould, the chief executive of the company, Schlumberger, said Wednesday.

“The drilling and producing of shale gas wells in Central Europe will be very different from doing so in the southern United States for financial and logistical, social and regulatory reasons,” Mr. Gould said during Oil & Money, a conference convened by the International Herald Tribune.²

What made the issue about shale gas development in Poland even more intriguing and compelling, was the recent position by some Polish statesmen opposing shale gas regulation as it is being contemplated by the EU in general. This publicized resistance stance by Poland, which seems to have more officially been promoted beginning in May, 2011, had much to do with opportunistic politics by energy corporations, seeing that Poland was about to take its turn in heading up the **EU Presidency** for the second half of 2011. What better advertisement for promoting shale gas to the EU, which American investors and U.S. State Department executives have opportunistically fleeced to the hilt!

As the reader will discover in this report, unconventional fracking, by way of powerful inter-linked diesel engine brute forces, is not just about cracking up geologic shales far underground. It’s much more than that! It’s about using other unconventional brute forces to crack governments, communities and people! In other words, in order to frack the earth, it means fracking everything!

Along the way in my research, I came across Mark Lombardi’s work, and found it appropriate to not only make some of my own sketches about the petroleum frackers in his honour, but to also make a tribute to the late Lombardi, the self-made master of visual artistry through pencil-drawn large canvasses marking the complicated webs of people, companies and institutions involved in international finance and political intrigue. Because of the powerful essence in his factual drawings in helping to reveal our complex and often warped world, it is perhaps time for a creative revival in Lombardi-ism.

A cautionary note. Some information in this report on the background of events, people, corporations and institutions is largely sourced from and reliant upon knowledge pools on the internet. Some, like Wikipedia, Forbes and Bloomberg, offer interesting insights and descriptive details, but some of that information needs to be carefully and further scrutinized, and in that sense some of the information in this report should be considered as preliminary. As every good researcher knows, one has to diligently and carefully investigate and assess all of the facts, as sometimes difficult and frustrating it may be. Nevertheless, these sources provide a critical role as initiators for understanding events and individuals in our complex world, a world now under organized and increasing assault by the fracking fraternity.

Some of the translations from various languages, Polish, Swedish, and Spanish were largely made from Google Translate, and guesswork had to be applied at times to make proper sense of this crude

² New York Times, October 13, 2010, *Outlook for Shale Gas in Europe Is Uncertain*.

method. Given the tight budget on producing this report and limited contacts, it was difficult to find sources to make the proper translations.

Our hearts go out to Poland, the home country of former Catholic Pope John Paul II (Vatican City, October 16, 1978 - April 2, 2005). I cannot but help imagine what Karol Wojtyla may have privately pondered and prayed about if he were still alive after being briefed at length by honest and faithful expert advisors and affected citizens from around the world with deep knowledge and experiences about the diverse issues of the unconventional petroleum world, knowing then of the gloomy fate that may be awaiting his homeland. Would he have dwelled on numerous themes in the Scriptures on the sacredness of water? What quotes from the New Testament would the Pope have found appropriate? Perhaps:

- “Thy Will be done on Earth as it is in Heaven!” (Matthew 6:10) ?;
- “Love (‘Agape’, from the Koine Greek) Thy Neighbour!” (Mark 12:31) ?;
- “You cannot worship both Mammon and God!” (Matthew 6:24) ?;
- and, “It is easier for a camel to go through the eye of a needle, than for a rich man to enter the kingdom of God!” (Matthew 19:24) ?

This report study was self-funded by the author. My deepest and sincerest thanks to all those that helped me along the way, and my apologies to those and the duties I neglected in this period of devoted isolation.

Will Koop
January 23, 2012

Table of Contents

Mark Lombardi Tribute

Preface	P-1
Table of Contents	TC-1
Executive Summary	ES-1
1. Who Fracked Poland First?	1-1
2. Russia, the EU, and the Unconventional Petroleum Complex - Natural Gas Geopolitics and PR Spins	2-1
3. Exxon Fracks EU First! - Experts' Report	3-1
3-(1). The Science Experts: EU Shale Intel Reports from the AAPG	
3-(1a). The 2008 Committee Report	3-2
3-(1b). The 2009 Committee Report	3-5
3-(1c). The 2010 Committee Report	
4. Germany (Deutschland) Gets Ge-Fracked First (Erst)	4-1
4-(1). Into the Rabbit Hole Hole: ExxonMobil Lures Herr Wulff to Houston's Energy Forum Think Tank Baker Institute	4-6
4-(2). October 19, 2011: Baker Boys' Poland Invitational	4-10
4-(2a). What They Said in Houston	4-13
- Djerejian	
- Ambassador Robert Kupiecki	4-14
- Poland Undersecretary of State Beata Stelmach	4-15
- "We" and "Them" in Richard Morningstar	4-19
- Christopher Smith and the Crystal Fracking Ball	4-20
- Andrzej J. Kozlowski - ORLEN and the New Era of Gas (Be Careful What You Wish For)	4-21
- Halliburton's Timothy J. Probert	4-22
- Pawel Jgosiak	4-23
- Patrick Wood III - Mr. Deregulation and the Pope	
5. The Baker Institute and "The Pursuit of Truth": America's Energy Policy and Business Kitchen	5-1
5-(1). General Djerejian's Circles	5-5
5-(1a). Djerejian: Baker Hughes Inc.	5-7
5-(1b). Djerejian: Occidental Petroleum Corporation	5-11
5-(1c). Djerejian: Global Industries Ltd.	5-17
5-(1d). Roofer Djerejian: Incom Roofing Service Inc.	5-20
5-(1d)-1. Wise with Haddington	5-21
5-(1d)-2. Brigadier White	5-22

5-(1e). The Baker Boys, the CFR and Cheney's Secret Energy Task Force	5-26
5-(1e)-1. Task Force Members	5-28
5-(1e)-2. Cheney's Secret Meetings	5-32
5-(1f). Djerejian: Council on Foreign Relations and Think Tanks	5-34
6. Royal Dutch Shell Fracks Sweden First but Suffers Shell Shock - Swedes Kick Shell's Ass out of Sweden	6-1
6-(1). Shell Launches into Public Relations Mode	6-11
6-(2). Shell says Sayonara Sweden - Hello China, Hello Ukraine	6-15
7. D-Day Poland: The April 8, 2010 Warsaw Conference	7-1
8. The U.S. State Department - The GSGI Double Whammy	8-1
8-(1). Shale Gale Goldwyn	
8-(2). Goldwyn's GSGI: Two-Birds-With-One-Stone "Whole of Government" Approach	8-6
8-(3). The Secret Washington D.C., GSGI International Conference	8-7
8-(4). Goldwyn's Departure - Role Playing Shift (<i>you know, the revolving door</i>)	8-13
8-(5). The Shadows and Mr. Morningstar	8-15
9. Mr. Smith's Mission: The Interstate Oil And Gas Compact Commission Comes to Europe	9-1
9-(1). Alabama's and Colorado's/New Mexico's Unconventional Legacies	9-8
9-(2). LEAF Takes on the Big Petroleum Tree	9-14
9-(3). Ground Water Council Grinds the Data with the IOGCC	9-16
9-(4). Mr. Smith in Europe	9-22
10. Harper's Men in Poland	10-1
10-(1). Canadian Ambassador Costello Heralds Canadian Frackers	10-2
10-(2). Alberta Petro Frackers' "Public Interest" Regulator Guinea Hen Flies to Poland	10-10
10-(3). Who is ERCB's George Eynon?	10-15
10-(4). Toxic Wasteland Alberta: A Cautionary Tale for Poland. The ERCB and the Big No-No: Drilling-Toxic-Waste Land-Spreading in Alberta ... "in the public interest" (NOT)	10-21
10-(5). ERCB Ignores Alberta Wheatland County By-Law	10-35
10-(6). Petro-Alberta's Regressive Laws	10-36
11. The Poland Portal Party	11-1
11-(1). Big Petroleum and the Instant U.S.-Poland Business Council	
11-(2). The Shadow World of Geo-Political Messaging: Public Relation Firms in Poland	11-4
11-(3). The Wroclaw Global Forum	11-9
11-(4). EU Presidency Countdown - U.S. Poland Relations	11-12
11-(4a). June 22-23, 2010	
11-(4b). July 19-20, 2010	
11-(4c). September 17, 2010	11-13
11-(4d). October 18, 2010	
11-(4e). December 8, 2010	11-16

11-(4f). February 28 - March 5, 2011 - Sikorski's Strategic Visit to Washington	
11-(5). The fuel for the Investor's PR Gas: The EIA Global Report on Shale Gas	11-21
11-(6). Experimenting in Poland - Pomerania (Qatar North?)	11-24
11-(7). The Concession Procession	11-29
11-(8). May 6, 2011 - "Cracking the Minds of the People"	11-33
11-(9). May 11-12, 2011	11-34
11-(10). May 18, 2011: 44 Days Before the EU Presidency - D-Day-2. The Big Kahoonia Pro-Fracking Conference and the Organized Media Rallying Cry Against EU Fracking Regulation in Poland	11-37
11-(11). May 27, 2011 - U.S. President Obama Arrives in Poland (35 days to go)	11-48
11-(12). November 4, 2009 - the U.S.-EU Energy Council as a fracking conduit into the EU	11-53
11-(13). The Supergrid	11-55
11-(14). May 31 - June 1, 2011 - One Month to the EU Presidency	11-57
12. Operation Synergy: Fracking the World, Poisoning Our Minds And Hearts - the Emerging Global Dilemma of Petroleum Sponsored Strategic Messaging	12-1
12-(1). Back at the Ranch: The Leaked Alberta Ministry Fracking Briefing Note and the Public Relations Messaging Agenda about Fracking	12-2
12-(2). September 21-22, 2011 Calgary "Water" Conference and the Synergy Shadow	12-4
12-(3). Heffernan and Trident	12-5
12-(4). Hanky McCranky Panky and the Synergy Love-In	12-12
12-(5). The Big MAC Meetings	12-29
12-(6). Enter Ernst	12-31
12-(7). Synergy's Savage: The Sin-In-Us-Energy and Un-Holy Gas	12-35
12-(8). Synergy on the Loose - 2008 and Beyond	12-39
12-(9). The September 2011 Krakow Conferences	12-41
12-(9-1). Krakow One	
12-(9-2). Krakow Two	12-47
12-(10). PsyOpsGate: Unconventional Public Relations at Halloween Houston	12-53
12-(10-a). Darko Anadarko	12-55
12-(10-b). Way Out of Resource Range	12-63
12-(11). The Synergy Ranch	12-70
13. The Warsaw Incident	13-1
14. Integrity On Trial: The Liability Nightmare	14-1
14-(1). Reality Check: Responsible or Irresponsible? Prudent or Imprudent? Prudent or Perverted? Definitely not Sustainable and Very Unconventional	14-2
14-(2). International Well Bore Integrity Committee Makes Shocking Statements	14-5
14-(3). Big Canada Petroleum and Canadian Government Gas Migration Studies - 1990s	14-8
14-(3.a). Ron P. Schmitz, P. Carlson, M.D. Watson, B.P. Erno - 1993 Husky Oil Study	14-13
14-(3.b). R.W. Krooyman, M.B. Muir, R.P. Marcinew, K. Bennaceur in Manitoba	14-14
14-(3.c). Dyck & Dunn in Saskatchewan	

14-(4). The 1994 Chafin (in the closet) Report	
14-(5). Post Chafin: The New Bradenhead Policies	14-26
14-(6). Maestro Muehlenbachs Measures the Mix of Man-Made Migrant Molecules Making Much Mischief	14-28
14-(7). Dr. Anthony Ingraffea's Eastern Canada Invitational	14-40
15. The Last Chapter: What is the Fate of Poland's Water?	15-1
15-(1). The Krakow Declaration	15-2
15-(2). Groundwater Protection and Monitoring	15-4

Conclusion

Appendix A: B.C. Tap Water Alliance:	A-1
- Presentation to the Canadian federal Standing Committee on Natural Resources, February 3, 2011;	
- Press release - Public Inquiry Needed to Address Human Health and Environmental Risks Posed by Shale Gas Drilling, Coalition Says	A-4
Appendix B: Halliburton News Release, July 9, 2010 - First Shale Fracturing Operation in Poland	A-5
Appendix C: David L. Goldwyn	A-6
Appendix D: Andrew Nikiforuk Articles, in The Tyee (March 17, 18, 2011)	A-8
- <i>The Gwyn Morgan File: Rise of a Shale Gas Baron</i> , and <i>EnCana's Grip on BC</i>	
Appendix E: Landman-Gate	A-19
Appendix F: Andrew Nikiforuk, 2006 - Fire Water and Dr. Muehlenbachs	A-24
Appendix G: WPP	A-28

1. WHO FRACKED POLAND FIRST?

Apparently, it was only some 16 months ago in July 2010 that Poland had its very first deep shale gas frack operation.¹ It was not, however, the first such shale frack in Europe - that occurred in its western neighbouring state of Germany. It happened in southeast Poland in the Lublin province. According to early reports released by Halliburton, one of the world's top three petroleum service companies, it occurred near the town of Koźienice, located some 80 kilometres south of Warsaw.



It is ironic that Halliburton, under the employ of PGNiG, “a Polish state-controlled oil and natural gas company”,² was the first hydraulic fracturing service company to do so. Irony because it was former Halliburton CEO boss Dick Cheney, the former two-term United States vice president, who many accuse of being ultimately responsible for the Republican Bush administration in facilitating the “Halliburton Loop-Hole”, namely the 2005 exemption of hydraulic fracturing procedures from federal regulations in the U.S. *Safe Drinking Water and Clear Water Acts*.

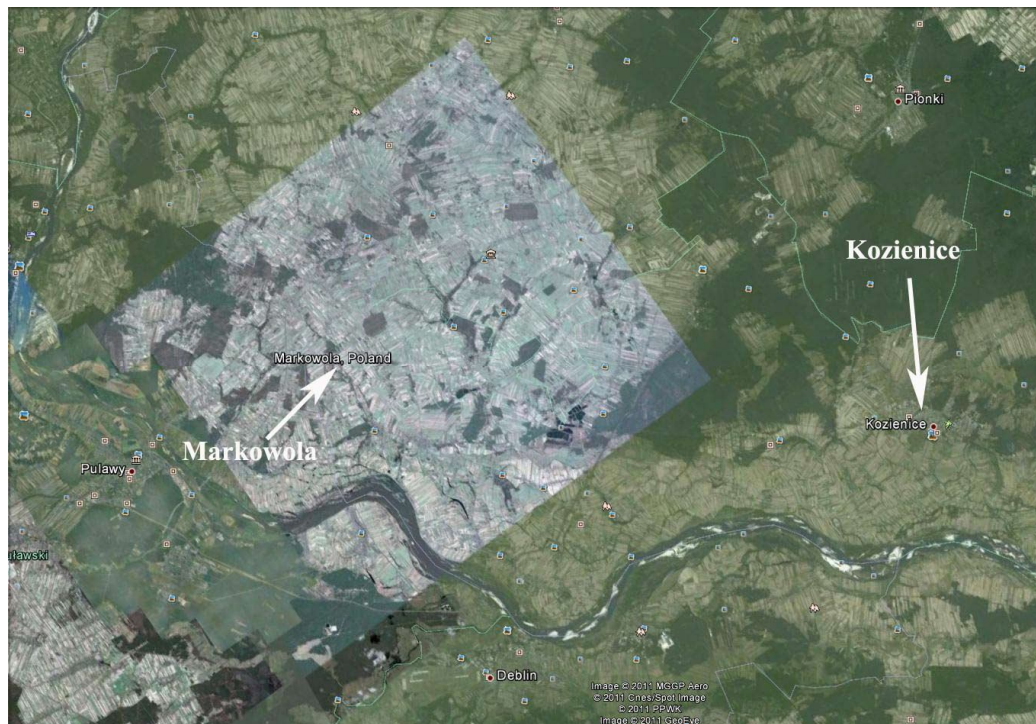
Cheney was recently on a scheduled speaking tour through Canada promoting his new autobiography, *In My Time: A Personal and Political Memoir*. Numerous protesters appeared outside of his speaking engagements, highlighting Mr. Cheney's “war crimes”. However, there were no reports mentioning, or images showing, demonstration posters or individuals calling attention to his sordid reputation concerning the Halliburton Loop-Hole (“environmental crimes”) primarily responsible for opening the fracking flood-gates, legitimizing the “shale gale” fracking

¹ Halliburton website (www.halliburton.com), *First Shale Fracturing Operation in Poland*. See Appendix A for a copy of the full text. The Energy Information Administration's 2011 World Shale Gas Resources document reported that Mexico's “first shale gas” would occur in late 2010, Tunisia's first shale gas frack (for all of north Central Africa) occurred in March 2010, Morocco would have its first shale frack in the second half of 2011, that India had its first frack northwest of Calcutta in September 2010.

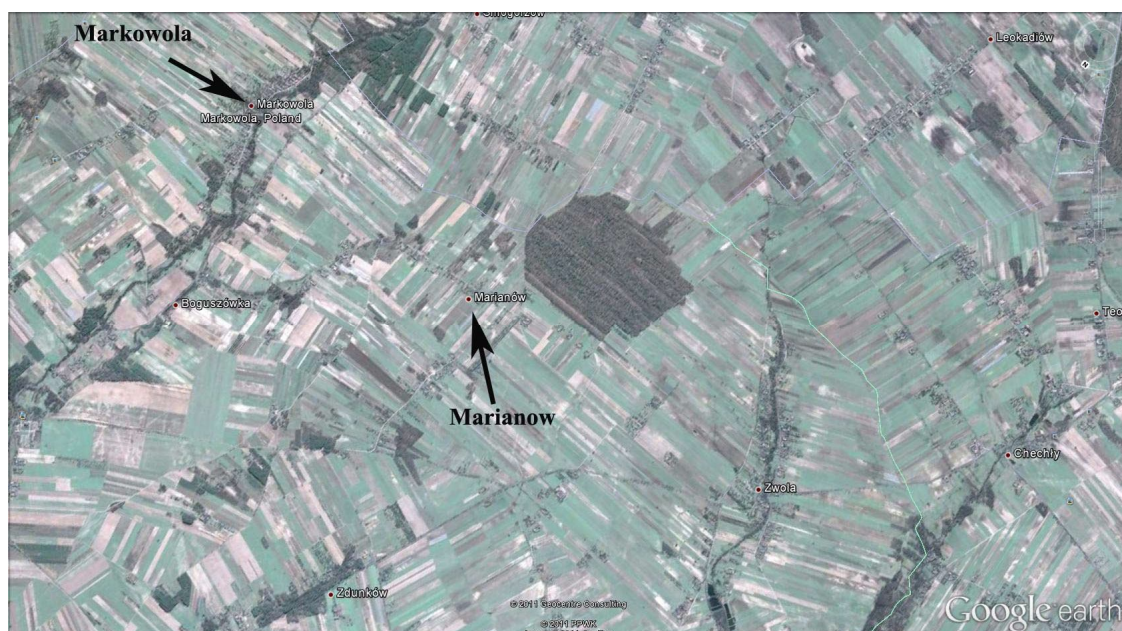
² Wikipedia, PGNiG. PGNiG is “listed on the Warsaw Stock Exchange.”

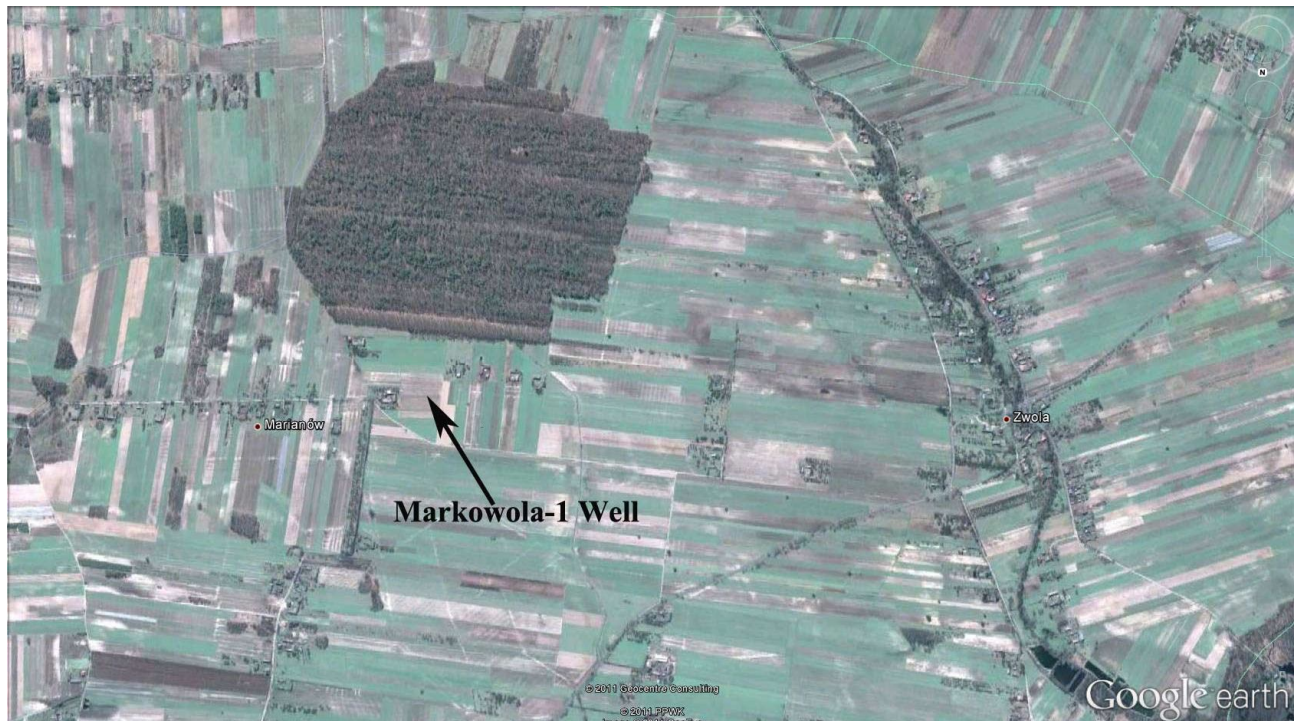
assault on public and private lands throughout the U.S., and therefore responsible for helping cover up the ever-looming deep shadow of inter-corporate public liabilities related to fracking.

The Halliburton company news article of July 2010 (see Appendix B) that described this ‘historic’ event isn’t accurate about where the company actually fracked. It occurred some 23 kilometres farther south of Kocienice, and just west of the small town of Markowola, right in the middle of the quaint countryside farming village of Marianow. It’s somewhat curious as to why Halliburton may have been so vague about the location. Perhaps the company wanted to avoid unnecessary public attention on the area in question, seeing that it was Poland’s first ‘brute force’ frack.



Markowola and Marianow are located just west of Poland’s largest river, the 1,050 kilometre-long Vistula.





Poland's first frack was conducted in the middle of an agricultural community, where, most likely, community residents rely entirely on groundwater for drinking water, domestic and agricultural use. These are the same conditions or agricultural surroundings where energy companies want to frack in lower Quebec, Canada, where residents are deeply concerned about their water, air and peace and quiet, and strongly resisted the frackers. Companies with fracking concessions in Poland want to frack "thousands" of shale gas and oil wells in Poland. (Photos from Google Earth.)



The PGNiG corporation posted a series of photographs from its Poland-based company website, photos depicting before and after scenes of the land where Halliburton conducted its fracking operations. Eleven of these photos are shown below.



The middle area of the top photo has an arrow, the point of which is the location of the signs below. The sign to the left, marked “Markowola 1”, was placed before the pad area was cleared by machinery. The sign to the right, caked in dirt, was after the area was cleared and excavated.





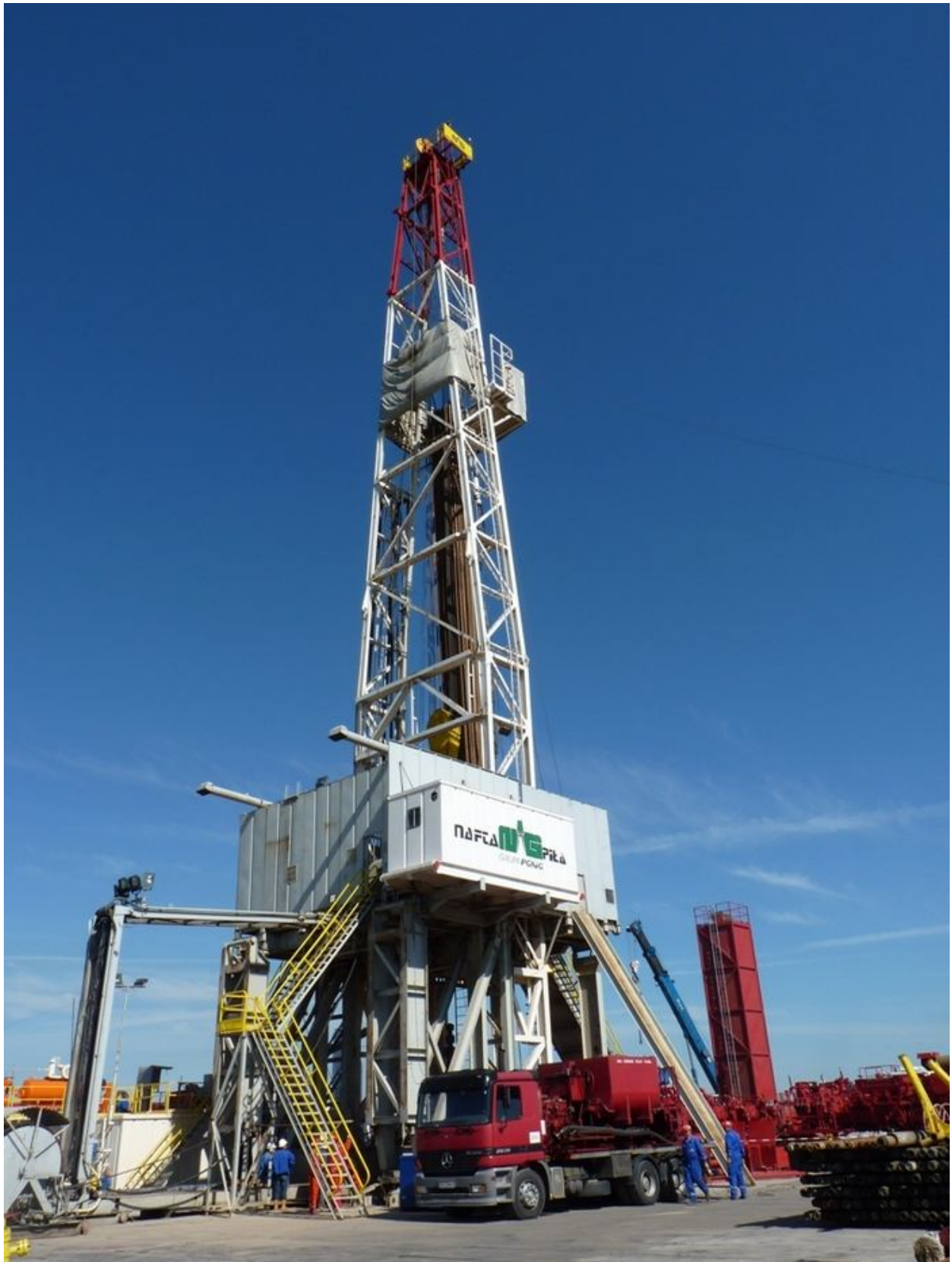
Photos of the area cleared and excavated for drilling fluid and water pits and pad location. In the bottom photo, in the distance, are the stacks of wooden platforms for the fracking pad.





Drilling equipment, derrick and rig tower suddenly appear in the quiet hamlet.





PGNiG's drilling rig.



Powerful diesel engines frack around the clock. Some questions: What happened to the drilling fluids? How much water was used? How many fracks were conducted? What happened to the toxic waste waters? Will the community's water be poisoned? Will the well casing leak gas? How many more wells nearby? After it's all over, time for show and tell with Prime Minister Donald Tusk to congratulate another well site in northern Poland, just before Poland's election in early October, 2011. Note the flaring of gas near the farms.



Halliburton – informacje podstawowe



Copy of one of Halliburton Poland's presentations, 2011, showing the company's global operations.



Part 2: Russia, the EU, and the Unconventional Petroleum Complex - Natural Gas Geopolitics and PR Spins

... The way both parties have acted over the last weeks and notably this week is unacceptable. This casts a shadow over the reputation of Russia as a reliable supplying country for Europe. It leaves consuming countries no other option than to speed up moves to find alternative suppliers, fuels and transit routes in the future.... (International Energy Agency, January 16, 2009)

Segments from Petroleum Economist's 2011 *Gas Map of Europe & the CIS*. The image to the right shows the main sources of conventional gas in northern Russia, and the pipelines that pump gas into the EU states.

On the right hand side of the bottom map are the main arteries of gas feed lines from Russia which merge at the far western boundary of the Ukraine, and travel westward across the Slovak Republic just before the eastern-most boundary of Austria. The pipeline then splits off into Austria, with another main line heading through the Czech Republic and off into southern Germany. The first phase of new underwater pipeline (the world's largest) in the Baltic Sea has been built connecting Russia's gas reserves to Germany.

Most of the red dots below symbolize gas or gas/condensate fields. The red gas pipeline routes appear as blood arteries in a living body.



Rising concerns and emerging studies about ‘energy security’ and climate change prompted the European Union (EU) to initiate a new energy policy for Europe in 2007, with directives on finding and implementing alternative and ‘cleaner’ energy sources.¹ Many international climate change initiatives had been set in place since the Kyoto Accord in 1997, rooted in climate or global warming warnings since the early 1970s. By late 2009, the petroleum industry complex, through support from a number of think tanks, began suggesting to Europeans that one of those ‘clean’ alternate sources was unconventional shale gas.² It was a new energy salesmanship platform.

American, Canadian and European petroleum companies earnestly began making investments in shale gas land concessions as early as 2007 in a few member EU states, such as Poland, even though the underground geologies wherein that unconventional oil and gas lay were largely undefined by research institutions and EU state governments at the time. The unconventional were also being promoted as rising public opposition and concerns occurred in the U.S., where the origins of the industry’s fracking experimentations with unconventional shales and with the public began. Germany was apparently the first EU state to get deep shale ‘ge-fracked’ in 2009.

The erroneous argument that shale gas was in the ‘clean’ energy category was introduced at an opportunistic moment following intense EU debates and controversies about Russia turning off the gas pipeline taps on several occasions to eastern EU member States, particularly during the last episode in January, 2009.³ Scores of academic research papers and think tank reports were published in the EU, by American think tanks, and by the U.S. Congress from 2006 to 2010, which analyzed and scrutinized the gas supply conflict between Russia and its western clients.

This photo, borrowed from a May 20, 2010 Leopolis/Twitter article, *Change of Heart*, concerned comments made by **Aleksandr Medvedev**, the deputy ceo of Russia’s **Gazprom**, who spoke at the Warsaw University, whereby: “his company is “examining the possibility” of entering the shale gas market by buying a U.S. based company. “We are not against shale gas ... Shale gas opens possibilities of expanding the usage of gas in energy generation and fuel for vehicles.” It appears that Medvedev’s position on shale gas has radically changed. In a classic quote, Medvedev in February expressed concern about the impact of shale gas on the U.S. and European water table stating, “Not every housewife is aware of the environmental consequences of the use of shale gas ... I don’t know who would take the risk of endangering drinking water reservoirs.” In October, he told *Petroleum Economist* “there’s a lot of myths about shale production” -- notably its economic feasibility.” Warsaw University students are seen protesting Medvedev’s visit.

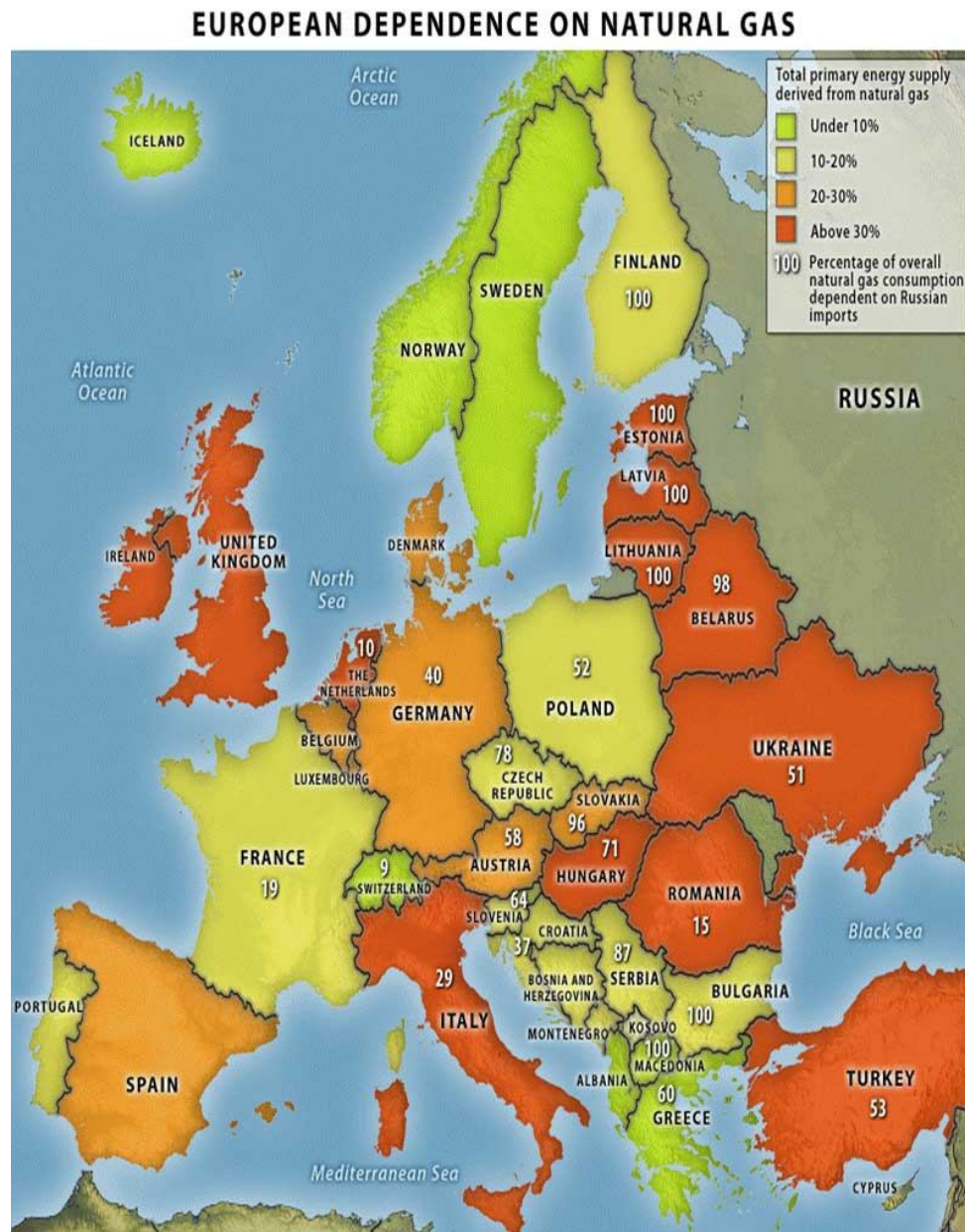


¹ *America’s Security Role in a Changing World*, published by the Institute for National Strategic Studies, in chapter 4, *Energy and Environmental Security*, page 67. In 2000, the European Commission introduced the *Green Paper on the Security of Energy Supply*, urging EU unity on enabling the EU’s energy destiny.

² In the 200-page report, *The EU-Russia Gas Connection: Pipes, Politics and Problems*, published in August 2009 by the Pan-European Institute, there are no references to “unconventional” or “shale gas”. This is very interesting, because it may help to establish the basis for an argument that unconventional gas, as an alternative energy supply for the EU, had not yet become a recognized consideration by European academics.

³ Ukraine, January 1-4, 2006; Belarus, 2007; Ukraine, January 2009. For more, search Wikipedia, *Russia-Ukraine Gas Disputes*.

In part,⁴ unconventional gas might be welcomed and construed as a form of salvation whereby some EU States, like Poland, might become more independent from Russia. That was the promotional spin of the moment. In reality, as a few energy consultants thoughtfully related, Poland would unlikely become independent, and should the underground shales be tapped by thousands of gas wells, at great environmental and health costs to Poland's aquifers, lands and people, and the use and consumption of great energy to develop the gas, they would only temporarily augment the state's own gas needs. In October, 2010 Poland signed a new gas supply agreement with Russia.



Map laying out the percentage uses of gas by mostly European states from Russia's gas reserves is borrowed from www.STRATFOR.com.

⁴ Including proposals for “renewables, nuclear power and CCS-equipped coal-fired plants, in addition to substantial efforts on energy efficiency”. In page 21, *The EU-Russia Gas Connection: Pipes, Politics and Problems*, by Kari Liuhio, Pan-European Institute, August 2009.

3. EXXON FRACKS EU FIRST! - EXPERTS' REPORT

3-(1). The Science Experts: EU Shale Intel Reports from the AAPG

Every profession has a body, an association, that meets together for fellowship, dialogue, communication - it's how we learn and share intelligence, and gain wisdom and knowledge - for a range and variety of purposes and interests. This is true for the American Association of Petroleum Geologists, "the largest professional association of geoscientists in the world" ¹ employed by private industry, government and academia.

The AAPG is divided into an array of regional and sectional groups under three thematic divisions, one being the Energy Minerals Division (EMD). Formed in 1977, the EMD "serves as an international forum for those working in the exploration, development, and production of energy sources other than conventional oil and natural gas."

EMD members actively participate in the society by helping to organize or support local society meetings, regional, national or international meetings, symposia, workshops, short courses, and field trips, and by publishing in the AAPG Bulletin, the AAPG EXPLORER, in EMD memoirs and special publications and in the EMD-supported journal, Natural Resources Research, and the DEG journal, Environmental Geosciences. EMD also provides a forum for addressing the sciences involved and in the associated economics involved in developing the commodities to promote the integration of geoscientific knowledge with those in related professions and activities. ²

The EMD is divided into six regions or sections within the United States, and six inter-continental regions or sections: Africa, Asia Pacific, Canada, European, Latin America, and Middle East. Under the EMD is a list of three Committees, each with its own group of Committees. Under the **Commodity Committees** section are five Committees: **Unconventional Resources**, Coal, Uranium, Geothermal Energy, and Renewable Energy. They all meet together and share information through reporting with the rest of the professional body.

3-(1a). The 2008 Committee Report

In turn, the Unconventional Resources Committee is divided into six groupings: Coalbed Methane, Gas Hydrates, Gas Shales, Oil (Tar) Sands, Oil Shale, and Tight Gas Sand. Every year these sub-group committees meet and produce a report. Of interest, the **Gas Shales Committee Report of April 19, 2008** has ***no information*** on the European front, which clearly indicates the late nature of deep shale activities in Europe. The report, however, has plenty of information about shale gas activities in the United States and Canada, i.e., the Texas Barnett shales "still the most active gas-shale play in the United States." (It includes a reference link to a document on the Texas Railroad Commission website on the relevant stats and companies operating in the Barnett). The remaining list reporting of shale gas activities in the United States, by State, is absolutely amazing with respect to the sheer number of activities.

¹ AAPG website.

² AAPG website, "about EMD".

3-(1b). The 2009 Committee Report

The **November 12, 2009 Gas Shale Committee report**, under Vice-Chairs Brian Cardott, Harris Cander, Michael Cameron, and Neil Fishman, includes a brand new section under item (p), *European Unconventional Shale-Gas Activity*. Its a report by Dan Jarvie with **Worldwide Geochemistry** who was at the Institut Francais du Petrole (France):

Gas production in Europe is running about 11 Tcf with 75% of this gas coming from the United Kingdom, Norway and Netherlands. Peak production of 13.5 Tcf was reached in 2003 (Hertzmark, 2009). With natural gas consumption running at 20.5 Tcf in 2008 and with about 80% of the gas coming from Russia, there is a definite need for additional hydrocarbon resource development. Natural gas also has the attraction of reduced emissions as opposed to coal burning particularly in oxides of carbon and nitrogen.

*Activity in unconventional shale gas has been underway for the last several years, although there has only been drilling activity as of 2009. As has been described elsewhere on numerous occasions, **European oil companies have taken an active position in several US shale gas basins**. Those companies include Statoil (Marcellus), **British Gas** (Haynesville), **Shell** (Barnett, Haynesville, and others), and **ENI** (Barnett). Of course **BP** has also been active in US shale-gas plays.*

Reserves from shale has been estimated as high as 500 Tcf, but a recent report provides a more conservative but perhaps more realistic estimate that there is at least 230 Tcf in European shale gas systems (Doornenbal et al., 2009).

Jarvie identified introductory shale gas activities by a small number of petroleum companies in Austria, Denmark, France, Germany, Hungary, Poland, Romania, Switzerland, and the United Kingdom, including a mystery category: “**Park Place Energy Corp. and Concessions International** have identified two unidentified European shale gas opportunities. These are described only as in the EU and covering over 100,000 acres of land.” Jarvie also briefed the Committee on the recent creation of the **Gas Shales in Europe** project - **GASH**:³

*GASH is an interdisciplinary research project carried out by a multi-national expert task force. It is a 3 year research program and is funded with 7 participating oil companies. Current participants include **ExxonMobil, Gaz de France, Marathon, StatoilHydro, Total, and Vermilion Energy** (Williams, 2009). The project focuses on the potential gas shales of Europe. Importantly, it also integrates proven US gas shales (e.g. Barnett Shale) for calibration of key variables.*

The GASH project will predict shale gas formation and occurrence in time and space because the geological evolution of gas shales is a key control of economic viability. The distribution of prospective shales will be ascertained using existing and enhanced regional databases.

³ Penn Energy’s May 29, 2009 web news article, *European shale gas prospects heat up*, that the GASH project began on May 1, 2009, “the first and biggest and most comprehensive study on shale gas in Europe”, with a “data base that spans 20 European countries.”

Daniel Jarvie

There are a number of biographies on Jarvie, many of which are his own. He is president of **Worldwide Geochemistry LLC**, a consultant to the petroleum industry. Worldwide Geochemistry has its own research lab “to evaluate various aspects of unconventional shale-gas and shale-oil petroleum systems.”

When Jarvie wrote the 2009 and 2010 AAPG shale gas committee report segments on Europe, he was on a “one year visiting scientist position at **Institut Francais du Petrole** (IFP) in Rueil-Malmaison, France, where he worked on compositional kinetic modeling with Francoise Behar and shale resource systems in Europe.” Jarvie is also active in the **GASH** centre in Germany.



In his numerous presentations, there is consistent reference to his recognition by the AAPG and the petroleum industry on his “ongoing work in unconventional shale-gas exploration, particularly the Barnett Shale of Fort Worth Basin, Texas.”

Jarvie is an adjunct professor at the Texas Christian University. He is also an affiliate professor at the University of Oklahoma.

In April 2011, Jarvie was hired by **Tamboran Resources Pty Ltd.**, an “emerging Australian-based global shale gas pioneer” (*World Renowned Organic Shale Geochemist Daniel M. Jarvie Joins Tamboran’s Technical Advisory Board*, April 27, 2011, PRWEB). Tamboran has areas and applications of about 31 million acres in Australia, **Ireland**, and Botswana. Jarvie is also on **Realm Energy International’s** Technical Advisory Board.

In 2010, Jarvie was presented with **Hart Energy’s** “most influential people in the next decade for the petroleum industry” award. (Hart Energy’s website states that it is “one of the world’s largest energy industry publishers, with a diverse array of informational products and services,” and “recognized for its expert coverage of the global energy industry through its highly respected, award-winning magazines, newsletters and directories, conferences, consulting services and online resources.”)

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*GASH is no ivory tower research marathon. It is goal-orientated and designed to meet the longer-term needs of both sponsors and researchers alike. The GASH team is mainly European, but with the right mixture of American-based experience and know-how. The project is coordinated by **GeoForschungsZentrum Potsdam** (GFZ), the national laboratory for geosciences in Germany. Working alongside them are the **Institut Français du Pétrole** (France) and **TNO** (The Netherlands). The universities involved to date include Newcastle (UK), Aachen, FU Berlin, Clausthal, Leipzig (all Germany), VU Amsterdam (The Netherlands) and MU Leoben (Austria). National and state geological surveys play a key central role not only in regional analysis and application, but also in basic research.*

GeoEn. *GeoEn is funded by the German ministry for research and education. This is a six year project that will include black shales in Brandenburg and Mecklenburg-Vorpommern, northern Germany (Williams, 2009).*

Core Laboratories. *Core Laboratories’ Integrated Reservoir Solutions Division has been conducting a joint industry project for the past 4 years focused on reservoir characterization and completion/stimulation of Gas Shales in North America (Phase 1). Over 65 member companies are contributing conventional core, well logs, completion, stimulation, and*

production data for a total of 195 wells to date.... All of these data and interpretations are provided in a web-enabled Oracle database to the member companies and presented at periodic core workshops and technical seminars.

Core Laboratories is expanding our industry-leading study of Gas Shales to areas outside of North America as a **Phase 2** to our original study. Participants in the **Phase 2 Study** will receive all of the data and interpretations from the **North American Phase 1 Study** and will contribute core and data from their own Gas Shale reservoirs. **The initial focus of the project is on European Basins from Ireland to the Ukraine.** Participants will be able to leverage the North American data sets and technology in evaluating and developing their own Gas Shale reservoirs. These integrated data sets and case histories will provide operators with the critical parameters to optimize their exploitation of these reservoirs and reduce finding and development costs..... The project will be focused on utilizing the experience of evaluating numerous North American gas shale wells in **expanding the evaluation of gas shale reservoirs globally.**



The image, *Overview of Known Companies with Unconventional Gas Positions in Europe*, is from Royal Dutch Shell's January 2011 Memorandum to the United Kingdom's Energy & Climate Change Committee, Written Evidence, Volume 2, Shale Gas, Fifth Report of Session 2010-12. Shell attempted to impress the Committee on all of the diverse corporate fracking interests in the EU.

Jarvie reported that **ExxonMobil** “has licenses on over 1.3 million acres in the **Lower Saxony Basin**, Germany for potential biogenic and thermogenic shale gas from the Wealden Shale and the Posidonia Shale.... **Shell** is apparently a partner in at least part of this project.” **ExxonMobil** was also setting up interests in Hungary (a joint exploration project with **MOL**, and with Exxon’s affiliate **Falcon Oil & Gas**) and in Poland (under an agreement with **ConocoPhillips**). **Shell** had just set up shop in Sweden.

Of all early-stage EU operations, Jarvie’s summary of activities in Poland was the longest:

*There has been considerable activity for partnerships and concessions in Poland in the past year, although lesser known efforts were occurring earlier. **ExxonMobil** and **ConocoPhillips** signed separate deals on exploration acreage in Poland.*

***3Legs Resources** and its subsidiary, **Lane Energy Poland**, acquired licenses on over 1 million acres in the Baltic Basin with prospective shale gas systems. A significant portion of their acreage has been packaged into agreement with **ConocoPhillips**, and **ExxonMobil**.*

*An **ExxonMobil** affiliate has obtained exploration acreage in the Podlasie and Lublin basins in Poland (Patrick McGinn, ExxonMobil spokesperson, October 13, 2009). The acreage position was not disclosed but it was acquired in December 2008.*

***ConocoPhillips** has reached an agreement with **Lane Energy** targeting Silurian shales in northern Poland’s Baltic Basin. They have options on an additional 1 million acres in three areas of Poland.*

***BNK Petroleum** has an agreement with Rohol-Aufsuchungs Aktiengesellschaft (RAG) and Sorigenia E&P S.p.A to farm out an 80% interest in three oil and gas concessions in the Gandsk Basin, identified as Starogard, Slupsk, and Slawno, covering 700,000 gross acres. **BNK** will receive a management fee and the work necessary to identify the first drilling location. **BNK** has identified characteristics compatible with successful shale gas plays such as good organic richness, thermal maturity in the gas window, and silica-rich mineralogy.*

3-(1c). The 2010 Committee Report

Five months later, the **EMD Gas Shale Committee** produced another report on **April 10, 2010** for the EMD Annual Leadership Meeting. Under section 1(s) *European Unconventional Shale Resource Play Activity*, Dan Jarvie provided another update:

*Activity in Europe has increased dramatically with extensive acreage positions being staked by a number of international independents. **Of course the US Majors have contributed to the push here** making their own deals or partnerships with groups that have leasehold positions. As reported previously, **ExxonMobil** and **Shell** are active individually and as partnerships in Germany and Sweden. **ConocoPhillips**, **Chevron**, and **Marathon** have also staked positions with the most notable to date being in Poland.*

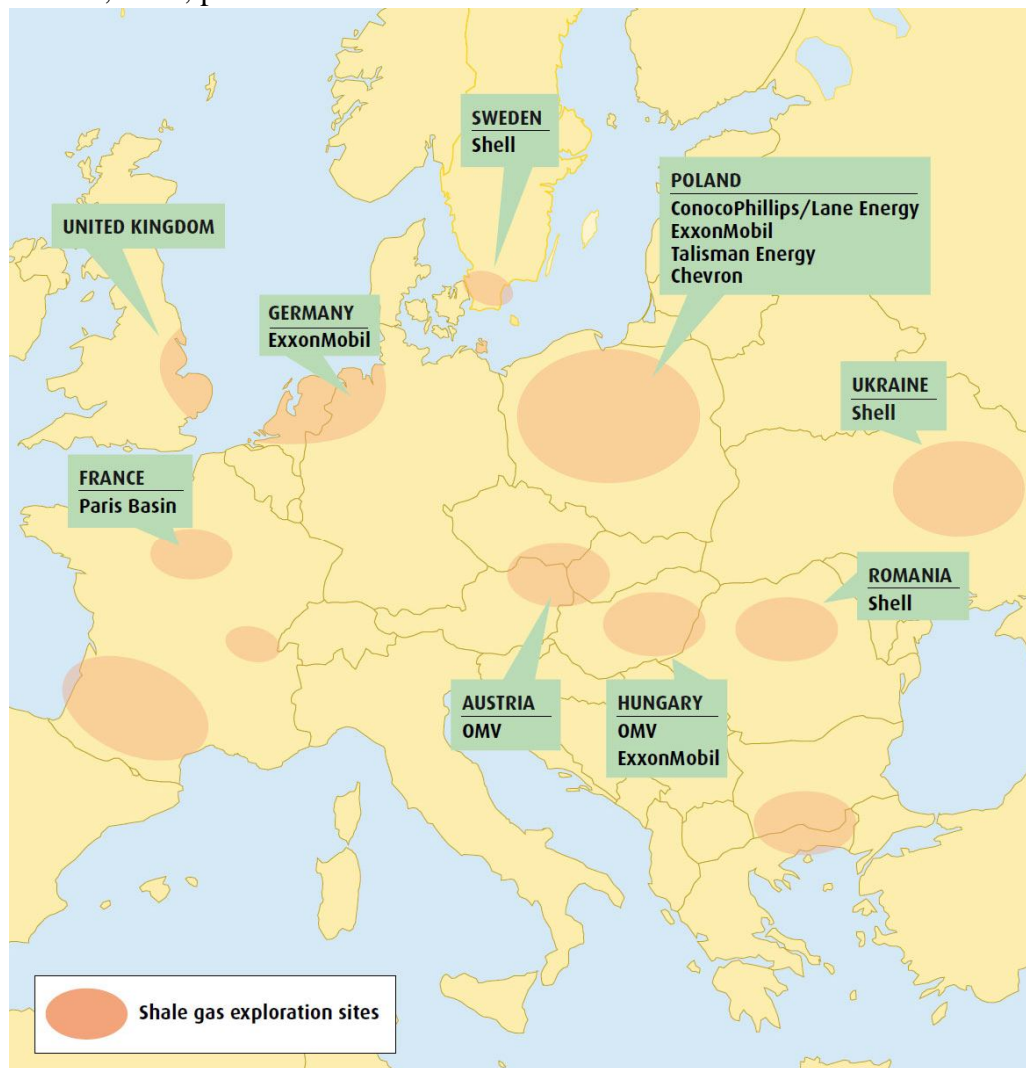
*Almost all of the activity has been for shale-gas resources with little consideration of shale-oil, although **Toreador Resources** has shown shale-oil prospectivity in the Paris Basin.*

Limitations for doing business in Europe are worth noting in addition to an environmental persona comparable to New York or California. Costs are certainly higher due to limited rigs and services. The limited drilling activity to date has constrained the availability of services as it is difficult to establish a critical mass of business activity at this point in European shale resource plays.

Once discoveries are announced, and they will be forthcoming, drilling activity will increase rapidly but not likely until 2011-2012. At such time the limited number of rigs available for drilling in Europe will continue to be an issue. At the present time it is my understanding that there are about 50 rigs available in all of Europe.

An excellent and as comprehensive review of European shale resource potential was reported in E&P by Ken Chew of IHS. Readers are referred to this article dated March 1, 2010 as it was a major source of information for this report.

Chew, K., 2010, *The shale frenzy comes to Europe*: Hart Energy Publishing, E&P, v. 83, no. 3, p. 35-39.



This map of company activities in Europe was originally presented by London-based **Gas Strategies** on November 8, 2010 at an EAGC pre-conference workshop, *The Prospects for Shale Gas in Europe*

For the second year in a row, Jarvie's AAPG's shale committee intel on Poland was the longest:

The total number of concessions granted in Poland for shale-gas potential now totals 30 according to Reuters news service. Poland has very favorable fiscal terms for E&P with royalties less than 5% and corporate tax rate of 19%.

*It is expected that **Lane Energy** will operate the first well to test the L. Paleozoic in Poland (Chew, 2010). The well will be located in the Gdansk Depression with funding provided by **ConocoPhillips** with targets in the Silurian and Ordovician (Chew, 2010).*

***Talisman Energy** has announced a joint venture with **San Leon Energy subsidiary, Oculis Investments SP**, for exploration for shale gas in the Baltic Basin onshore Poland (O&GJ, Jan. 29, 2010). As such Talisman has paid Oculis 1.5 million euros and will pay 60% of the cost for a seismic program. Talisman will drill one well in each of Oculis' three concessions with an additional three wells if initial well results are encouraging. Talisman will have a 60% interest in each concession; however, this would be reduced to 30% if Talisman does not drill the optional wells (Scandinavian Oil-Gas Magazine, March 4, 2010).*

***Chevron Polska E&P** has been granted a concession in southeastern Poland near the city of Zamosc. Under the terms of the concession, they will have 5 years to explore shale gas opportunities in the area covering ca. 800 sq km. It is reported that Chevron only expects to assess the possibility of developing this into a shale gas field.*

*A range of companies have acquired concessions in Poland. According to O&G Journal (Jan. 29, 2010), **Marathon** has acquired interests in Poland. Others such as **LNG Energy** have three concession areas in Poland totaling 88,000 acres with focus on Silurian and Ordovician shales. **EurEnergy** has also obtained concessions in Poland (Reuters). **BNK** has also obtained concessions in Poland for 720,000 acres.*



However, not everyone in the petroleum industry was convinced of the “shale gas hype”:

For months, the shale gas hype has been spreading across Europe, with newspapers blasting headlines over how new supplies will help the continent cut its dependence of Russian gas, fight climate change, and reclaim its security of supply. But here’s the reality: shale gas is unlikely to change Europe’s energy equation of falling indigenous gas production and rising demand. And if it does cause changes, those changes are unlikely to occur for at least a decade, if at all.

*“There’s a lot of potential, but we are not quite at the point where this is going to change landscape on European gas,” said Nikos Tsafos, head European gas analyst with **PFC Energy**, the Washington-based energy consultancy. “People recognize that this is big, but they don’t recognize what it will take to get there. People are talking about unconventional gas as a panacea for Europe without necessarily understating what needs to happen. And the gap between reality and expectations worries me.”*

*While only in the early exploratory phase, companies are racing to secure acreage in Sweden, Poland, Germany, Hungary, Austria, France, and the UK to determine whether North America’s success in developing unconventional gas resources can be replicated. The shale gas fever involves the likes of Shell, OMV, BNK Petroleum, ConocoPhillips, and Exxon Mobil. But it’s going to take at least another five years just to complete the most comprehensive review of Europe’s shale gas potential that only began earlier this year. Gas Shales in Europe, as the program is known, is spearheaded by **GeoForschungsZentrum** (GFZ), the German research center for geosciences in Potsdam, and financed by Exxon, Marathon Oil, StatoilHydro, GdFSuez, Vermilion, Total, and a new, but still **confidential sponsor**.*

Even assuming bigger quantities of shale gas in Europe, with outdated studies estimating more than 500 trillion cubic feet, there are huge geological differences with the US. Experts don’t expect shale formations here to have nearly as much gas trapped in them as North America ones. It is unlikely to be as profitable as the gas plays are probably smaller in size and have more rapid decline rates.

And that’s without compounding a myriad of other challenges, including population density, water shortages, insufficient infrastructure, overregulation, environmental policies, and technological uncertainty.

But even if there is little action in Europe, its companies are no longer standing idle. BG, Eni, and StatoilHydro, among others, are getting in on the shale gas action in the US and starting to explore other continents. Their goal is to capture some of the game-changing action the IEA believes shale gas will bring globally.

*Europe will take its time. “There are still some codes that can’t be cracked,” Tsafos said. “In Europe, you’ll need a lot more activity before trial and error produces the same results as in the US.” The environmental impact, including water use, roads, and pipelines, will also be contentious due to Europe’s higher population density. (Europe and Shale Gas, Lots of Unanswered Questions, **Energy Tribune**, November 17, 2009)*

4. GERMANY (DEUTSCHLAND) GETS GE-FRACKED FIRST (ERST)

A website entry in **German Energy Blog**¹ dated October 5, 2009, summarized the contents of a German newspaper article from the Hannoversche Allgemeine: “**Exxon Mobil** announced test drilling in ten wells in Lower-Saxony in order to explore the shale gas deposits in the region. The announcement was made on the occasion of the visit of the Prime Minister of Lower-Saxony, Dr. Christian Wulff, in Houston, Texas.”



What’s that? Lower-Saxony’s Prime Minister (March 2003 to June 2010), who assumed office as President of Germany on June 30, 2010,² went to Houston, America’s petroleum capital? Where exactly did he go? Who made the arrangements?

According to global giant ExxonMobil’s European website, in 2007 ExxonMobil “was awarded four exploration licenses by the Lower Saxony and North Rhine-Westphalia states, Germany, covering 1.3 million acres of the Lower Saxony Basin.

ExxonMobil operates these licenses with a 67-percent interest.” According to information from the AAPG (above), Exxon’s other mystery shale gas partner was **Royal Dutch Shell**. In a October 2, 2009 article in DDP, “90 percent of Germany’s conventional natural gas deposits” are in Lower Saxony, which are “expected to be used up in the next 20 to 30 years.... If successful, officials in Lower Saxony hope to make the state’s capital Hannover a leading European centre for developing such types of gas reserves.”



Map of Germany’s states. The state of Lower Saxony is called Niedersachsen in the German language (medium brown), and the state of Westphalia is called Westfalen (light brown).

¹ The main authors of the website are Dr. Matthias Lang, Rechtsanwalt, and professor R. U. Mutschler, Rechtsanwalt, honorary professor of FU Berlin.

² See *Wikipedia*, Christian Wulff.

In Ken Chew's³ often cited March 1, 2010 article published by Hart Energy, *The shale frenzy comes to Europe*, Exxon "spud" Europe's first shale gas well in Germany some time in 2008, and Sweden got its first frack job in November 2009 by Royal Dutch Shell. Chew, who gave summary insights into all the initiating shale gas exploration activities throughout Europe, included three charts or tables that aroused a lot of interest by Hart Energy readership.



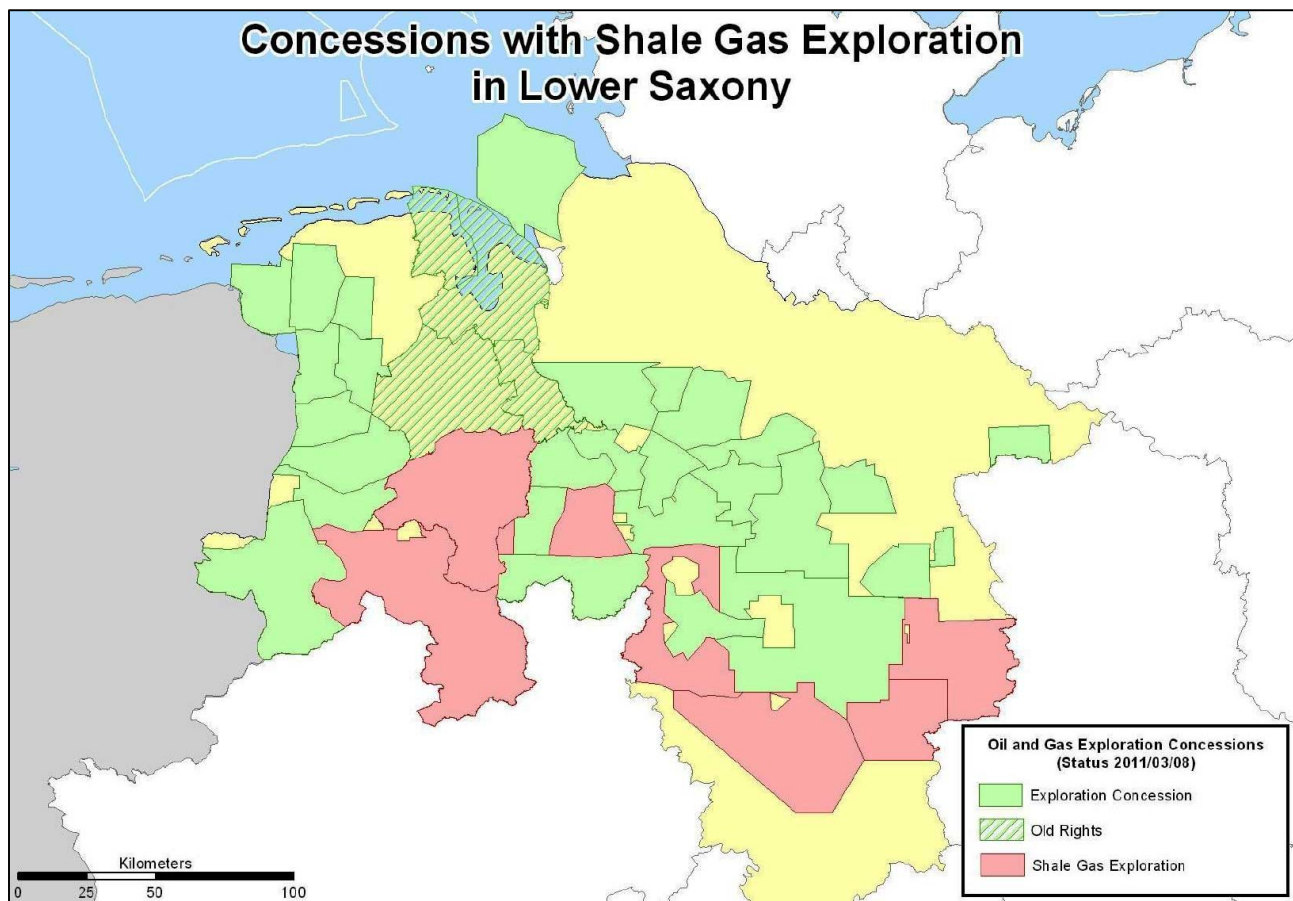
Segment from a larger map showing the land relief geography of Germany, in which the states of Lower Saxony (Niedersachsen) and northern Westphalia (Westfalen) are featured.

A petroleum industry promotional April 11, 2011 article in the *European Energy Review* noted a significant contrast between land ownership issues in America and Germany, and public opposition:

In the United States, the shale gas boom was helped by the fact that landowners also own the resources beneath the surface of their land. In Germany, those resources belong to the state. The story of American pensioners becoming rich thanks to shale gas exploration on their land won't be repeated here.

In highly environmentally conscious Germany, however, the hunt for shale gas has just begun, and that's when it's most vulnerable. Only ExxonMobil has drilled so far, and this company has now had to slow down activities due to opposition from the local public. The other companies haven't said when they'll start drilling on their concessions. At the moment, the industry is in a wait-and-see position. Regrettably ExxonMobil Europe rejected several requests from European Energy Review for an interview over its German shale gas activities.

³ According to a 2008 conference biography, Chew is the VP-Industry Performance for the Energy Division of IHS Inc., "and carries out analysis and consultancy based on the Energy Division's international E&P database, with particular emphasis on global hydrocarbon supply and resources."



Perhaps the company is too busy dealing with citizen movements such as ‘Schönes Lünne’ (‘Beautiful Lünne’), an advocacy group that aims to prevent shale gas drilling near this small town in Lower Saxony. In neighbouring North Rhine-Westphalia, the state government, under pressure from local politicians, late last month imposed a moratorium on new shale gas drilling. ExxonMobil has tried to engage local advocacy groups via open roundtable discussions that started last week in Osnabrück. It’s not expected to silence the opposition anytime soon.



‘The political and public discussion is putting the brake on activities’, Söntgerath, of the LBEG, tells EER. ‘Companies are engaging the public right now, and they’re carefully observing the negative publicity.’

Unlike the public, Söntgerath isn’t worried about the environmental effects of shale gas exploration. ‘Companies have been fracking here since 1977,’ he says. In 2008, ExxonMobil conducted a shale gas frack at Damme in Lower Saxony, ‘the only one we’ve had in Germany.’ The frack was conducted at a depth of 1,100 meters and cracked the

rock horizontally for about 160 meters. 'Everything went as planned.'

At Damme, the groundwater table sits at a depth of 30-40 meters, Söntgerath says. 'So between the frack and the groundwater lie several hundred meters of rock and clay,' he says. 'It's virtually impossible that frack fluids make their way into the groundwater via the geological formation.'

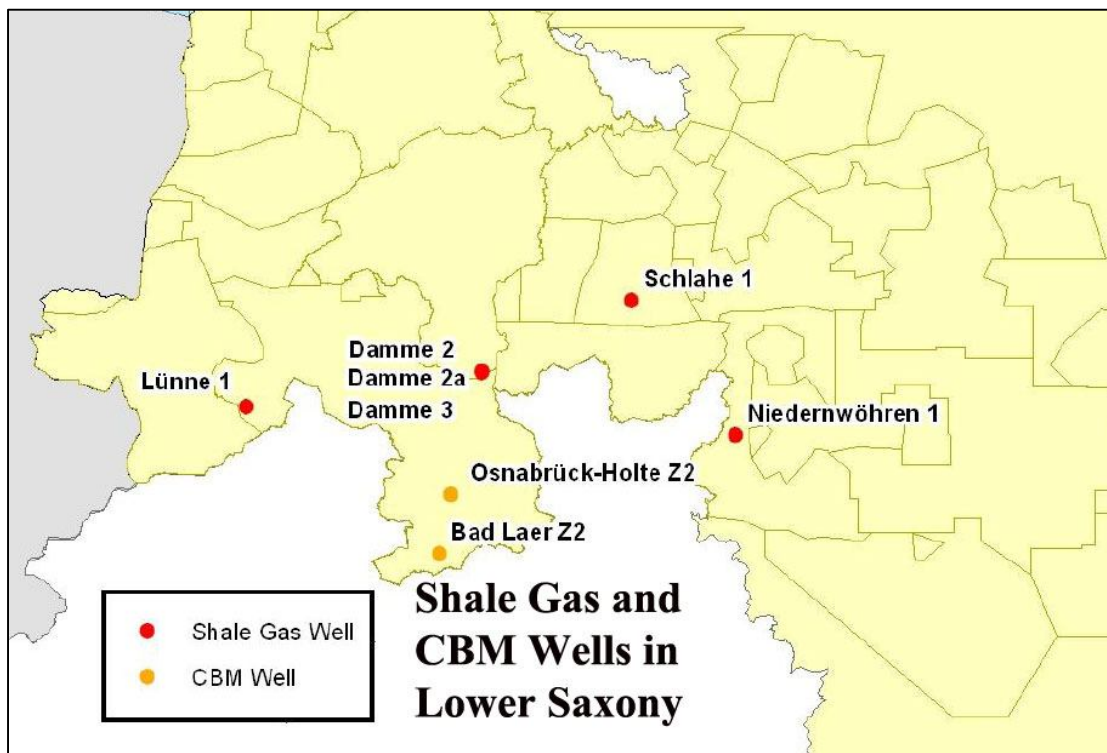
So what if Germany, or even the whole of Europe, turns out to be too hostile to shale gas exploration? **The oil companies will simply move somewhere else, says Blakey from Eurogas. 'They will look to Indonesia, or China or Australia.'**



Shale Gas Exploration

Name of the well	Licence Holder	Well drilled in	Special Operation Schedules for	Situation of the Activities
Damme 2	EMPG	2008	Drilling	drilled
Damme 3	EMPG	2008	Drilling Fracing	drilled, fraced in October 2008
Niedernwöhren 1	EMPG	2009	Drilling	drilled
Nöpke 2	EMPG	-	Drilling	Location preparation finished but no drilling activities
Schlahe 1	EMPG	2009	Drilling	drilled
Lünne 1 und 1a	EMPG		Drilling Drilling of 2nd hole	Drilling of 2nd, horizontal hole
Osnabrück-Holte Z2	EMPG	2010/2011	Drilling	drilled
Bad Laer Z2	EMPG	2010	Drilling	drilled

Data and map locations of shale gas wells in Lower Saxony from Klaus Sontgerath's March 14, 2011 presentation to the Atlantic Council (there were two meetings in Brussels and Washington, D.C., on the theme: *European Unconventional Gas Developments*). Sontgerath is with Lower Saxony's State Authority for Mining, Energy and Geology. The Concessions map on the previous page is also from Klaus' presentation document.

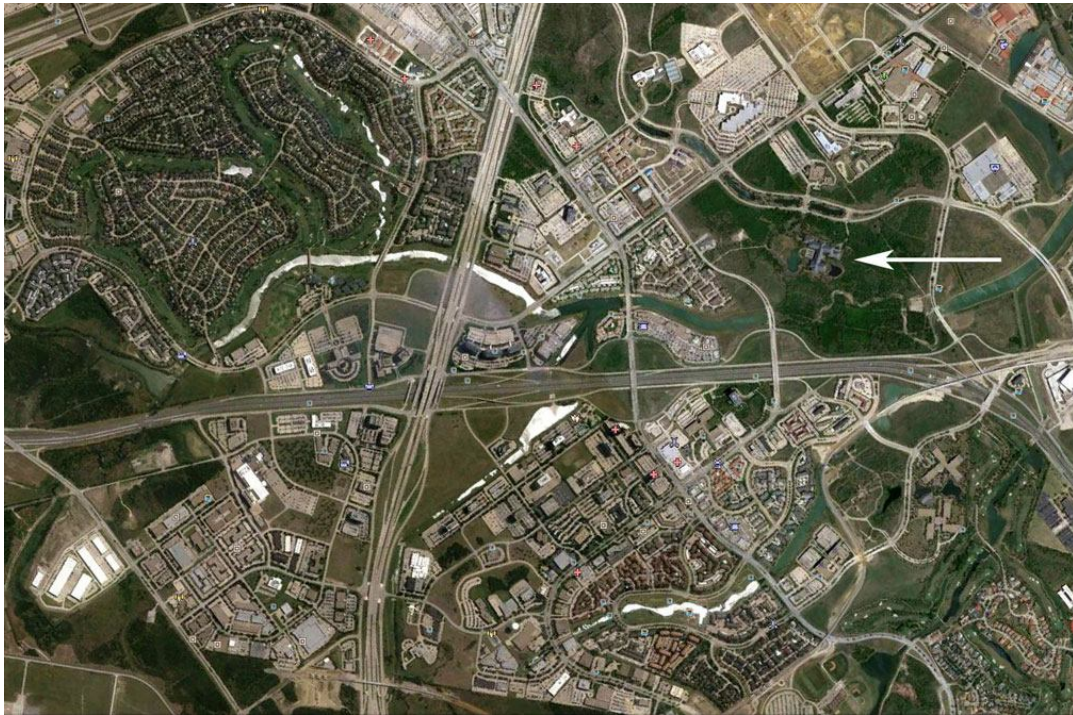


The concerns about future public protests in Lower Saxony regarding fracking operations is something that ExxonMobil was undoubtedly aware of heading into its shale gas concessions in Germany, seeing that the state “was one of the origins of the German environmentalist movement in reaction to the state government’s support for underground nuclear waste disposal” and “led to the formation of the German Green Party in 1980.”⁴ Since Lower Saxony’s establishment as a state in December 1946, it wasn’t until June 1, 1993 that a “new Lower Saxon constitution entered force” enabling “referenda and plebiscites and environmental protection as a fundamental state principle.” 68 percent of Lower Saxony’s population abide by various Christian Church faiths, with the Evangelical Church in Germany representing 51 percent of the population.⁵

The Wall Street Journal reported on November 11, 2009, *WSJ: Exxon Lured by Gas Potential*, that Exxon’s Lower Saxony interests also included large reserves of coal bed methane:

Exxon Mobil’s new coalbed-methane acreage in Lower Saxony and North Rhine-Westphalia in Germany marks the first attempt of a U.S. major oil company to unlock such resources in Europe, where demand for gas is expected to grow vigorously just as countries intensify their efforts to reduce their dependence on Russia as a supplier.

Exxon Mobil’s coalbed-methane interest in Germany complements its existing shale positions in the Lower Saxony Basin. The Irving, Texas, company also has tight-gas interest in Hungary and shale-gas acreage in Poland.



The arrow in this Google Earth photo points to ExxonMobil’s corporate headquarters in Irving, Texas.

⁴ Politics of Lower Saxony, Wikipedia, Lower Saxony.

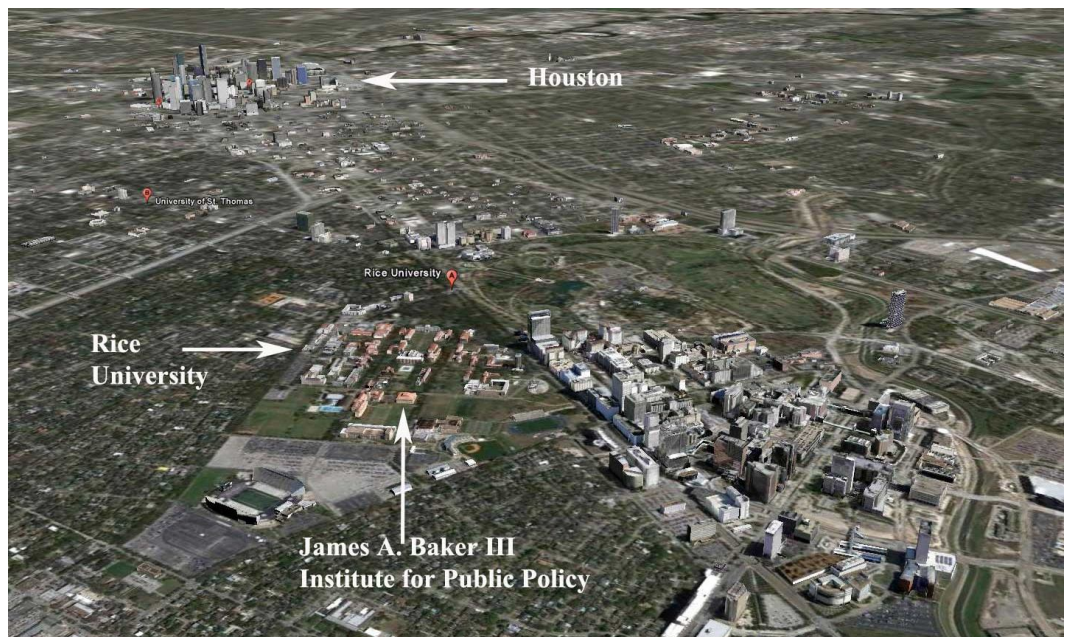
⁵ Ibid.

Wikimapia has the following description when the cursor is double-clicked on Exxon's headquarters: *ExxonMobil's corporate headquarters are located in the Las Colinas development of Irving, Texas. Exxon's corporate headquarters were moved to Irving in the early 1990s from its famous location in Rockefeller Plaza in Manhattan. The site is now home to the offices of the corporation's senior executives, senior functional executives (Public Affairs, Human Resources, Treasurers, Controllers), and a small planning staff. Most employees of the corporation have never seen its headquarters, much less set foot on the site. During the tenure of Lee R. Raymond as Chairman of the Board, the executive floor became known in the financial press as The God Pod because of Raymond's exclusive nature.*



4-(1). Into the Rabbit Hole Hole: ExxonMobil Lures Herr Wulff to Houston's Energy Forum Think Tank Baker Institute

Irving, Texas, the location of ExxonMobil corporate headquarters, is just west of Dallas, and about 400 kilometres north of the Gulf Coast city of Houston, the U.S. petroleum capital, and where Germany Prime Minister of Lower Saxony Christian Wulff spoke at Rice University's James Baker III Institute for Public Policy on October 1, 2009.



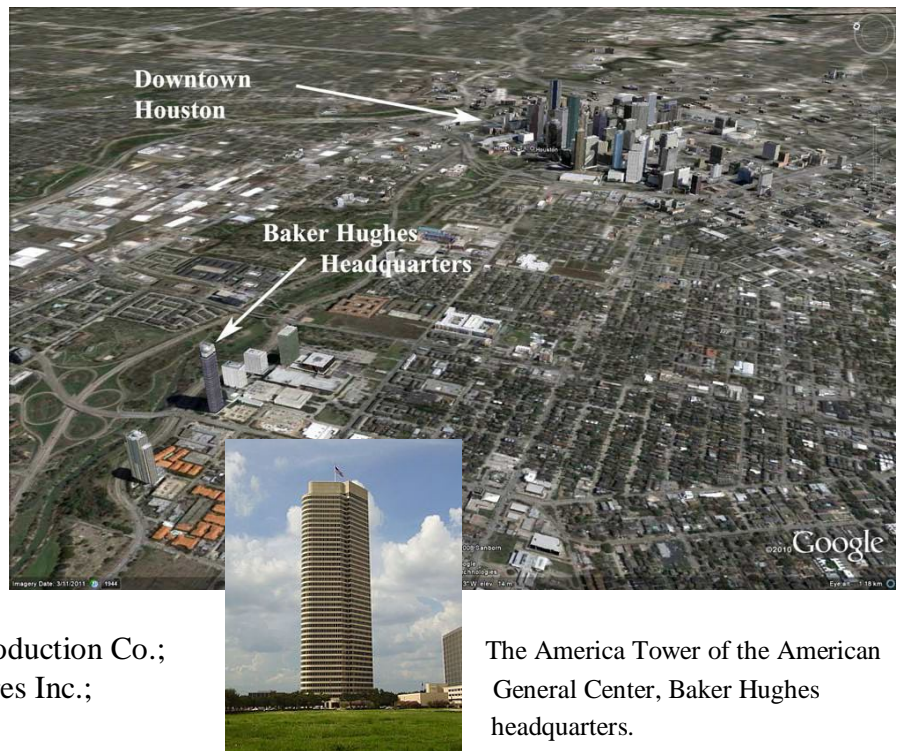
The Baker Institute, “with generous sponsorship by ExxonMobil,” fronted the short conference at the James A. Baker III Hall, called *Technology to Help Meet Germany's Cleaner Energy Future*. Heralded by the Institute some two months later, ExxonMobil would make an eye-popping \$41 billion deal in acquiring Fort Worth-based XTO, a major U.S. natural gas producer. A March 7, 2010 article in the Financial Times, *Europe the New Frontier in Shale Gas Rush*, states that “ExxonMobil is counting on the XTO deal to allow it to lead the charge into European shale.”

Event Description

Germany is increasingly recognizing the importance of domestic unconventional resources and renewable energy to enhance its energy security and reliability of supply. Lower Saxony takes a distinctive leadership role in the development of German domestic energy. One-hundred fifty years after the discovery of oil in Lower Saxony, the region provides more than 90 percent of Germany's domestic natural gas production and is a leader in the use of wind energy. This event will explore the potential for unconventional resources and renewable energy as part of Germany's future while focusing on Lower Saxony's important role as a center for research and development, as well as energy production and innovation.

The James Baker Institute is sponsored by some heavy weights from the petroleum industry. In a May 2009 Baker Institute report, *Russia, Central Asia, and the Caspian: How Important is the Energy and Security Trade-Off?*, it lists the Energy Forum members of the Baker Institute for that year. They include:

- Anadarko Petroleum Corporation;
- Apache Corporation;
- Baker Hughes Incorporated;
- BP;
- Chevron Corporation;
- ConocoPhillips;
- Duke Energy International;
- ExxonMobil Corporation;
- Kinder Morgan;
- Kuwait Petroleum Corporation;
- Marathon Oil Corporation;
- Schlumberger;
- Shell Oil Company;
- Shell Exploration & Production Co.;
- Total E&P New Ventures Inc.;
- Total E&P USA Inc.



Not mentioned on the Institute's website in the current biography of its founding and still active 70-year old director, ("ambassador") Edward P. Djerejian, is his former directorship of Baker Hughes Inc. from 2001 to April 28, 2011, when Prime Minister Wulff arrived in Houston.

Baker Hughes provides the world's oil and gas industry with products and services for drilling, formation evaluation, completion, production and reservoir consulting. Baker Hughes operates in over 90 countries worldwide mainly based in countries with a mature petroleum industry as is the case with most oil & gas service companies. Baker Hughes operates worldwide with major offices in Liverpool (United Kingdom), Singapore, Dubai, Research & Maintenance Facility in Celle (Germany), Lafayette (Louisiana), Houston (Texas), Pescara (Italy), and Kuala Lumpur (Malaysia). (Source: Wikipedia)



Baker Hughes's facility in Celle, Germany, a town with a population of about 71,000, is located in the state of Lower Saxony - Wulff's home state - and even has a street named after its location, the Baker Hughes Street (Strasse):

The town is not really known for heavy industry, but many businesses which have started up in Celle and some, such as Rosa Graf Cosmetics, have reached the world market. Celle does have some links to the oil industry, though, particularly firms engineering parts for drilling; notably Baker Hughes (INTEQ and Hughes Christensen divisions; oil and gas industry service companies specialising in MWD, Wireline, Drill-bits, Drilling Applications Engineering, etc.), Cameron (global provider of pressure control, processing, flow control and compression systems as well as project management and aftermarket services for the oil and gas and process industries), and ITAG (drilling contractors and manufacturing plant). Halliburton, founded in 1919, is one of the world's largest providers of products and services to the energy industry and has an office in Celle. There is also a school for advance drilling techniques.⁶

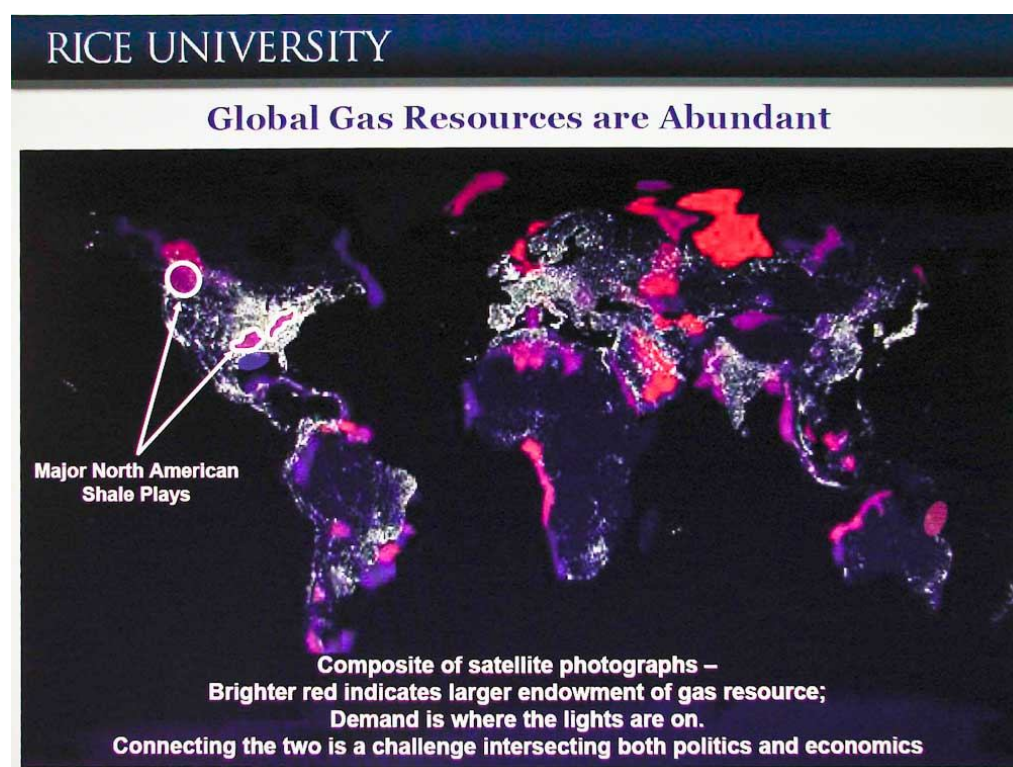
Some of the same sponsor members of the James Baker Institute - Shell, Chevron, ConocoPhillips, ExxonMobil, and Marathon - had the first deep shale gas exploration permits and fracks in Europe. Stated in the opening of the May 2009 report:

The mission of the (Institute's) Energy Forum is to promote the development of informed and realistic public policy choices in the energy area by educating policymakers and the public about important trends - both regional and global - that shape the nature of global energy markets and influence the quantity and security of vital supplies needed to fuel world economic growth and prosperity.

⁶ Source: Wikipedia, Celle, Germany.

The one-day energy conference forum in Baker Hall's Kelly International Conference room with Wulff didn't have a lot of substance. Perhaps it was organized mainly for show and tell: time to have some private chats, and to promote shale gas development in Germany, and, of course, to promote development in Europe through the local and American energy industry media.

Along with Wulff, ExxonMobil's Exploration Company president **Tim Cejka** and Baker Hughes vice president of Marketing **Friedhelm Makohl** made brief presentations. So did the Institute's fellow **Kenneth B. Medlock III** (the third)⁷ who gave the same power point he delivered the day before at the Northeast British Columbia Natural Gas Summit (where the petroleum industry fracking front was just gearing up) on the theme of global energy security and refocused inter-development strategies. The "cleaner energy future" theme for Germany included shale gas and coal bed methane developments, a shale gas theme which other academics at Cornell University later argued against in late 2010 and early 2011. The petroleum industry's big initial pitch for Europe, and for that matter, the world, was to promote shale gas as a "cleaner" alternative to coal.



Left: one of Medlock's power-point slides from his September 30th presentation in northeast British Columbia. He makes the pitch to look at natural gas from an integrated "global" geopolitical perspective. For British Columbia, he emphasized that its "supply potential" could be aimed as an export LNG market to Asia, as "BC is a basis disadvantaged market, but selling to Asia could provide much more value to developers."

Energy forum fellow Medlock published a small conference follow-up media report on October 6, 2009, *Shale Gas: A Game-Changer with Global Implications*, which included the following:

On Oct. 1, 2009, Christian Wulff, prime minister of Lower Saxony, Germany, visited the Baker Institute and discussed his interest in developing shale gas in Lower Saxony. ExxonMobil Exploration Company executive Tim Cejka told the audience at the event that ExxonMobil hoped to identify shale gas resources in Germany and other large end-use markets. Moreover, he believed that the shale gas potential outside the United States was substantial.

⁷ The other important energy fellow is Amy Jaffe. Medlock's biography is at the Institute's link - <http://www.bakerinstitute.org/personnel/fellows-scholars/kmedlock>

4-(2). OCTOBER 19, 2011: BAKER BOYS' POLAND INVITATIONAL

As narrated in following chapters of this report, the October 1, 2009 Baker Institute event was merely an initiating sequence in a larger strategy for US-based and EU-based petroleum corporations through new US-EU energy negotiations to frack the EU. The wheels of this new engine were being greased, in part, through the added influence of one of the petroleum industry's political golden boys, **David Goldwyn**, newly appointed in August 2009 by U.S. Secretary of State Hillary Clinton as her special international energy envoy and advisor. As that story unfolds in chapters 7, 8, and 11, readers may wish to take a second look at some of the speakers the Baker Institute invited in hosting another event that occurred on October 19, 2011. That one-day energy forum was called, ***Poland's Natural Gas Revolution: Energy, Security and Geopolitics***.

Event Description.

Poland's unconventional reserves offer the country a unique opportunity for business, trade and energy security. The United States, too, has a strong interest regarding the future of Poland's energy industry. Energy trade and investment between the United States and Poland can enhance the already strong economic, political and security relationships that exist between the two nations. As strong allies, the two countries can work together in diversifying and securing Poland's energy future. The conference "Poland's Natural Gas Revolution: Energy Markets, Security and Geopolitics" brings together high-level Polish and U.S. government officials, industry experts, policymakers and academic specialists to address the opportunities for natural gas production, diversification of supply sources, expansion of underground storage capacity and development of necessary infrastructure in Poland. Experts will address the technological, political and regulatory developments that need to be considered as Poland's energy sector faces a new future.

*The Baker Institute would like to thank **Marathon Oil Corporation** and **ConocoPhillips** for their generous support of this event.*

On the scheduled speakers list for the Poland conference were:

- Poland's U.S. ambassador **Robert Kupiecki**;
- Poland's Undersecretary of State **Beata Stelmach**;
- U.S. State Department's Special Envoy for Eurasian Energy, **Richard Morningstar**;
- senior fellow of the International Security Program with the **Atlantic Council**, **Ian Brzezinski**;
- U.S. Department of Energy's deputy assistant secretary for oil and natural gas, **Christopher Smith**;
- U.S. Department of Energy deputy assistant secretary for Petroleum Reserves, **David Johnson**;
- president of Strategy and Corporate Development with **Halliburton** Company, Timothy J. Probert;
- **PGNiG**'s deputy chairman of Shale Gas Task Team, Pawel Jgosiak;
- **PKN ORLEN**'s executive director for Strategy & Project Portfolio Management, Andrzej J. Kozlowski;
- **Marathon Oil Corporation**'s senior vice president for Exploration, Annell R. Bay;
- **American Council on Renewable Energy**'s principal of Wood3 Resources, Pat Wood III;
- board member of **PERN**, Jerzy Melaniuk;
- ceo and president of **Grupa LOTOS**, Pawel Olechnowicz.

In anticipation of this international conference event on Poland, and its significance on influencing politicians and investors in the EU, the Baker Institute released an October 2011 report (number 49), *Shale Gas and U.S. National Security*, a report “sponsored by the U.S. Department of Energy.” The document has a revised and more refined clinical approach by the petroleum industry to market its new shale gas product globally, with carefully crafted language, particularly as it relates to environmental concerns. Here are a few quotes from that report:

Since 2000, startling growth in the production of natural gas from shale formations in North America has dramatically altered the global natural gas market landscape. Indeed, the emergence of shale gas is perhaps the most intriguing development in global energy markets in recent memory.

In both the United States and abroad, the promise of growing shale gas production has raised the prospects for greater use of natural gas, an outcome with significant implications for global environmental objectives since lower-cost natural gas can displace fuels associated with higher air pollution and greater carbon intensity, such as coal and oil.



Clarence P. Cazalot Jr. is president and ceo of **Marathon Oil Corporation**, and on the Baker Institute's Board of Advisors. Marathon wants to frack Poland.



Linnet Deily is a director of **Chevron Corporation** and Honeywell International, and is on the Baker Institute's Board of Advisors. Chevron wants to frack Poland.

It should be pointed out that the sustained, rapid development of shale gas is not a certainty. A stable regulatory environment that fosters responsible development of domestic resources is critical to achieving the potential benefits presented by shale. There are several factors that could stymie development not only in the United States, but also elsewhere in the world.... In particular, environmental concerns regarding the use and potential contamination of water resources have recently dominated the news headlines in the United States and France and, therefore, are among the kinds of major issues that will need to be addressed before governments will allow full realization of shale's growth potential.

Our study finds that under scenarios where environmental and other political factors inhibit the development of shale gas resources north of Virginia,⁸ U.S. natural gas production will see less growth over time and import requirements will be substantially higher after 2030....

More generally, the United States has a well-developed, competitive regulatory framework governing natural gas infrastructure development, transportation services, marketing, and mineral rights ownership and acreage position. This environment has promoted the rapid development of shale resources, and it may not be fully or quickly replicable in other markets around the globe where state involvement in resource development and transportation is more prevalent. For example, investor access to shale resources is likely to be more heavily controlled in China and most European countries, where land ownership is

⁸ The authors are referring to the controversial developments in the Marcellus shales of northeast U.S.

generally distinct from the ownership of mineral rights, than in the United States, where landowners can directly negotiate terms for access to minerals under their acreage.

The dramatic lessening of Europe's dependence on Russian gas will likely reduce Russia's ability to unduly influence political outcomes.... a more energy-independent Europe will be better positioned to join with the United States in global matters that might not have the full support of Russia.... To tap this benefit, it will be essential for the United States to promote a stable investment climate with regulatory certainty.

Exactly one week before the Baker Institute's promotional conference of shale gas developments in Poland, on October 12, 2011 the New York Times published a story, *Oil Executive Promotes Shale Gas to Europeans*. It was an announcement by Andrew P. Swiger, Exxon's senior vice president, with the following lead-in title: "A senior executive from Exxon Mobil warned Wednesday that Europe could miss a chance to reduce its dependence on imported energy by making it too difficult to develop shale gas and so-called unconventional resources."



Steven L. Miller, former president, CEO, and chairman of **Shell Oil Company**, now the chair and president of **SLM Discovery Ventures**, is on the Baker Institute's Board of Advisors. Shell wants to frack Germany, Poland, and the Ukraine, and wanted to frack Sweden.



Andrew P. Swiger, senior vice president of **Exxon-Mobil**. Swiger stated at the 21st World Energy Congress in Montreal, Quebec: *Canada's stable policies and respect for the law have encouraged advances in another area important to expanding global energy supplies: unconventional sources of natural gas. Exxon wants to frack Germany and Poland.*

"By 2030, Europeans are expected to be significantly more reliant on imports of natural gas than they are today," Mr. Swiger said in London at the Oil and Money conference, which is jointly organized by The International Herald Tribune and Energy Intelligence. "Europe's unconventional natural resources can provide the opportunity to offset this changing mix with domestic supplies," he said.

One of the main obstacles to drilling for gas trapped in fine-grained shale rock is the growing public skepticism about the environmental impact of "fracking," using pressurized water, sand and chemicals to release the gas.

Mr. Swiger's remarks came after a decision this summer by the French Parliament to revoke permits from companies using the method. Since then, health and environmental activists have stepped up efforts to extend similar restrictions across the European Union.

Europe is far from united against gas fracking. Poland and Bulgaria are among the countries enthusiastically developing shale gas, partly as a counterweight to mounting anxiety about depending on Russia for natural gas.

Mr. Swiger said fracking could be done safely and cleanly, and he said local regulators should be permitted to decide whether to permit the technique in their communities. He said Europe's shale resources,

although different in some ways from the resources in North America, “may prove to be significant,” partly because of rapidly evolving drilling and extraction techniques.

Since 2008, Exxon has drilled a number of exploratory wells in Germany for shale gas and for coal-bed methane, which is found in coal seams or in the surrounding rock, Exxon officials said. The company is still analyzing those results to establish their commercial potential, the officials said.

Michelle Michot Foss, chief energy economist and head of the Center for Energy Economics, part of the Bureau of Economic Geology at the University of Texas at Austin, said companies looking for opportunities in shale gas were undeterred — for now.

“You go where you can go, and Eastern Europe seems to be more the place where everybody can go right now,” Ms. Foss said. “The question will be whether they get enough drilling and commercial success in Poland and other places to make it worthwhile.”



Edward P. Djerejian (left) and Charles W. Duncan Jr. (right) are on the Baker Institute’s Board of Advisors. Duncan is the former president of the Coca-Cola Company and former **U.S. Secretary of Energy**, and now chairman of **Duncan Interests**. They both want Shell, Chevron, and ExxonMobil, and the other corporations, to frack up Europe, ‘responsibly’.

4-(2a). What They Said and Didn’t Say in Houston

The October 19, 2011 day-long conference event at the Baker Institute was divided into four sessions. Here are some of the day’s highlights.

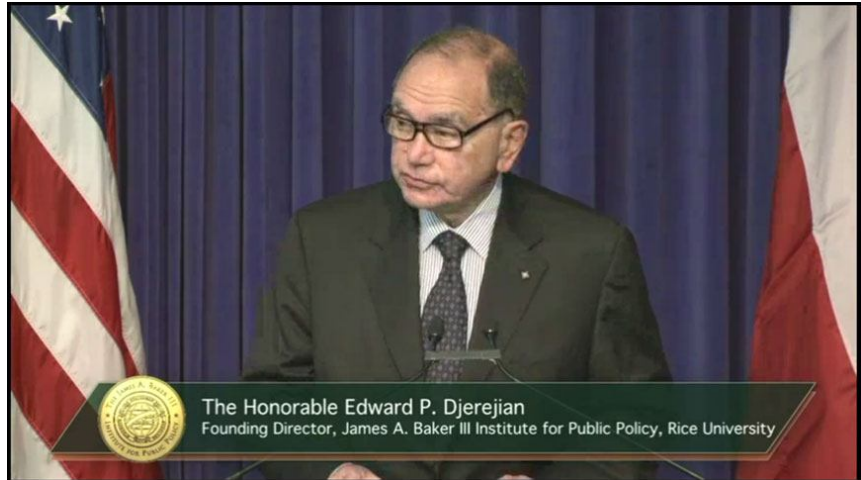
Djerejian

Edward Djerejian gave the conference introduction. With his background since the mid-1990s as a director in top petroleum and petroleum service corporations (see chapter 5), he summarized from prepared notes his pro-corporate take on the ‘success’ of ‘America’s’ aggressive strides to produce unconventional shale gas since 2000, suggesting indirectly that America’s glut of gas could supply Europe with exported LNG (i.e., better profits to be made from higher gas prices):

The emergence of shale gas is perhaps the most intriguing development in global energy markets in recent memory. ... In-depth studies are underway to fully assess the shale gas resource potential in Europe, Asia and Australia. Indeed, rising shale gas production has

already delivered large economic and geopolitical benefits - and this is only the beginning. In the United States, ample shale gas means requirements for imported liquefied natural gas will be negligible, giving America both security of supply and economic benefits. In Europe, local shale gas and rising supplies of displaced liquefied natural gas, LNG, will give consumers an alternative to Russian pipeline supplies and a benefit of diverse supply.

Our work at the Baker Institute indicates there are large shale gas reserves to be tapped in Europe of roughly 220 trillion cubic feet, split between Sweden, Poland, Austria and Germany. Poland stands to play a leading role. It houses perhaps 55 percent of the shale resources expected to be developed in Europe.



Thus, with Poland set to play a major role in the energy equation of Europe, we convene today to discuss the opportunities before us. ... There is no doubt that the shale gas revolution has begun, and it is already shaping global energy markets.

Still, environmental protection and infrastructure development are of the kind of major issues that will have to be addressed, and I hope addressed intelligently....

Given the reprehensible manner in which the multi-developments of unconventional oil and gas were undertaken throughout the numerous jurisdictions in the United States and Canada since the 1980s, some of the stories of which are introduced in chapters 10, 12 and 14, Djerejian's reference to the 'intelligent' development of fracking in Europe may be interpreted as being a cynical comment.

Ambassador Robert Kupiecki

There is perhaps nothing more important at this time to increase the public education, the education of our elites, the education of our population about the opportunities and about the reality, the reality of the business, as mythology, as myths surrounding the shale gas development as spreading around Europe, also in my country. But, it's also an optimistic factor, phenomenon that the support for this kind of, let's say production engagement, industrial engagement, exploration and future production of shale gas enjoys wide-spread support in Poland. And we would like to keep up with this, and to pursue our



public activities in the field of shale gas, in the field of energy development, in an open and transparent manner.

Poland Undersecretary of State Beata Stelmach

A new key added onto the growing pro-fracking administrative political key chain in Poland's government, was Prime Minister Donald Tusk's appointment of Beata Stelmach as Foreign Affairs undersecretary of state on May 1, 2011, just over two weeks before the May 18th shale gas conference in Warsaw (see chapter 11-10), where Poland announced its pro-fracking political platform two months before its ascendancy to the Presidency of the EU.

Stelmach, who obtained her MBA from the University of Calgary, resigned as vice-president of **MCI Management SA Warsaw** and board member of **SCI Capital TFI SA** on April 1, 2011 "due to personal reasons." Bloomberg reports that Stelmach "served as the Head of Business Development & Communication and Investment Partner at MCI Management," was originally "employed in the Enforcement Department of the Polish Securities Commission," and a former "consultant of the World Bank for the development of the capital markets in the Ukraine in 1996 and Russia in 1997." She was the president of the Warsaw Commodity Board of Trade, 2000-2001.

The Warsaw Journal published an interview with Stelmach on June 27th, *Foreign Ministry looks to become an ambassador of Polish business*, just days before Poland's six-month term at the EU Presidency.



Ms Stelmach intends to use Poland's Presidency of the EU Council to Promote Polish companies and shale gas exploration.

As I came to the Ministry of Foreign Affairs from the business community, I believe it is easier for me to understand the needs of our businesses. I want to combine the language of diplomacy with the language of business.

One of the most important matters that we now have ahead of us is the exploration and future production of shale gas in Poland, and we are in the middle of EU discussions regarding this. It is not only an economic issue, but also a strategic one for Poland, so our diplomatic involvement is urgently needed.

*In the European Union arguments for and against such exploitation have already appeared and **false claims** have been raised about possible damage which could be done to the environment. Our duty in economic and diplomatic strategy is **to present the truth about such exploration**, which will not negatively affect the environment, and to defend our right to use our shale gas resources.*

Future exploration of shale gas will not only provide Poland with energy independence, but by exporting it we may raise the level of energy security for the whole of the EU.

The technology for searching and later exploring shale gas comes from American firms, because the US, as well as Canada, are the only countries in the world which possess such technology.

***The Polish government has taken legal steps at the highest political level** to secure our interests in exploring shale gas. In December last year, during President Komorowski's visit to the US, a memorandum of understanding was signed, which is the basis for Polish-American cooperation regarding shale gas in Poland.*

Within this framework Polish scientists and representatives of energy firms will have the opportunity to learn about American technology and how to apply it in Poland. Concessions and exploration licenses were issued by the Environment Ministry to American firms such as Chevron and Exxon Mobil, Polish companies including Orlen and PGNiG, and international consortium Marathon Oil. In total, more than 80 concessions for research have been given.

Stelmach stated the following at the Baker Institute's conference from her prepared script, in which she unfolded a new and formidable American/European inter-corporate vision for Poland as an exporter, facilitator and partner stronghold of unconventional shale gas:

The absolute shift away from fossil fuels and coal will be an extremely difficult task. Therefore, the key challenge will be to develop such an energy policy which would ensure resources and environmental sustainability, and, at the same time, preserve stability of the energy sector and industrial competitiveness.



New drilling technologies have opened up potential for new supplies of natural gas and oil once thought to be difficult to be extracted. ... In this new context, changes that are shaping today's energy require flexible, innovative and adaptive solutions. And, shale gas might be one of them.

Poland's shale gas sector is growing with high dynamics with over 100 exploration concessions granted so far. Almost 30 companies, including American major ones, as ExxonMobil, Chevron, ConocoPhillips, and Marathon Oil are drilling in Poland.

According to the Energy Information Administration, Poland may have about 5.3 trillion of technically recoverable shale gas. This means, at current consumption levels, it could satisfy Poland's gas needs for over 300 years. Prospects for development of unconventional gas in Poland correspond with global trends in energy markets. According to the scenarios of the International Energy Agency, the forthcoming decade will be known as the golden age of gas in which unconventional gas resources will contribute significantly to the world's long-term energy mix.

Ladies and gentlemen, the Polish government fully supports shale gas developments as unconventional gas might provide us with a unique opportunity to successfully achieve several policy goals including energy, environmental, and economic ones. Poland is at a cross-road of the next wave of gas revolution.

According to the recent Baker Institute study on Shale Gas and U.S. National Security, the position of Russia will change significantly. And moreover, decreasing share of Russian gas in the European gas market rises the chance of deepening European Union/USA political cooperation. Therefore, we hope that shale gas will further strengthen an overall American presence in Europe that has been crucial for maintaining strategic position and for ensuring balance of powers. The growing energy cooperation between Poland and the United States could, and should, be the driving force of the Trans-Atlantic dialogue.

The Polish story of the next decade might be one of rapid expansion of gas and gas-related sectors and massive energy innovation. Some companies and experts start talking about Poland being potentially a new gas exporter, and who would have seen that coming even five years ago? ... For that reason, Poland is determined to develop it's own LNG capacity with the LNG terminal in Swinoujscie .

Ladies and gentlemen. Almost 20 years ago, Secretary of State James Baker opened this Institute to integrate people from around the world into innovative activities and build a bridge between the world of ideas and a world of action. I am very much convinced that we will be able to move with our long-lasting and mutually beneficial energy projects, projects which will bring ever-closer our governments, Polish and American business community, and energy analysts.

*There is only one thing that can guarantee **our failure**, and that is if we quit.*

Poland's Washington, D.C. Embassy reported on its website, *A delegation from Poland visits Texas*, that for the Baker Institute conference event a delegation from Poland "visited the U.S. (on) October 16-20 to deepen cooperation on exploration and extraction of shale gas, and learn about strategic petroleum reserves. The delegation comprised representatives from Poland's Ministry of Foreign Affairs, including Undersecretary of State Beata Stelmach, representatives from Polish businesses (PGNiG, PKN Orlen, PERN and Lotos Group) and Polish media." The published page included photos of the delegation visiting "a strategic oil reserve storage site in Big Hill, Texas," (photo to right) and a photo of Stelmach and Kupiecki with Chesapeake Energy Corporation representatives at a "shale gas extraction site in Fort Worth, Texas."



Poland's Ministry of Foreign Affairs website reported on November 29, 2011 that undersecretary of state Stelmach attended the meeting of the EU-US Energy Council held in Washington, D.C. on

November 28, 2011. The EU-US Energy Council was formed in November, 2009. (For more, see chapter 11-12.)

The meeting was co-chaired by US Secretary of State H. Clinton, US Energy Secretary S. Chu, the EU High Representative for Foreign Affairs and Security Policy C. Ashton and the EU Commissioner for Energy G. Oettinger. The Polish Presidency was represented by Deputy Foreign Minister Beata Stelmach, Undersecretary of State at the Ministry of Foreign Affairs.

The talks focused on the strategic aspects of energy policy, relations with main outside partners (producer and transit states) as well as cooperation in sustainable and clean energy technologies. The delegates also discussed ways of further development of unconventional gas sources. Deputy Foreign Minister Stelmach underlined its crucial role for the strengthening of both Transatlantic relations and the EU energy security: “Poland uses the knowledge and experience of the US in exploring unconventional energy sources in a safe, sustainable and environmentally friendly way (...) Cooperation between the EU and US in this respect should be beneficial for both parties”. Deputy Foreign Minister Stelmach also declared Poland’s readiness to actively participate in a Transatlantic dialogue on shale gas.



We believe that if people do not understand, or, if people have too little information, they are afraid, and if they are afraid then they might be against (shale gas). So, our strategy, as the Polish government, is to offer the open dialogue, and to transmit all the information needed, true information, not misleading, but true information, sometimes bad, sometimes good, all the information as transparent as possible, and to deliver the message to the public opinion in order to let them feel comfortable with the level of knowledge they have.

It was reported in a November 14, 2011 Spanish article, (translated) *Growing interest in new oil and gas deposits in Spain*, that Beata Stelmach participated in a Polish EU-Presidency-sponsored **private meeting** held in Madrid’s Ministry of Industry’s headquarters, with Spain’s secretary of state for energy Fabrizio Hernandez (see chapter 7), vice president of European Parliament Alejo Vidal-Quadras, BNK president Wolf E. Regener, and executives from **ExxonMobil** and **Repsol**. The article explained that spokesmen from Spanish multinational Repsol’s **YPF** subsidiary in Argentina recently announced that Spain is a new candidate for deep shale gas fracking, particularly in the Upper Ebro, Cantabria and Aragon areas where previously drilled conventional gas wells are located. The International Energy Agency identified Spain as one of a number of potential shale gas areas in Europe.

In other news headlines, it was announced in early November 2011 that Repsol’s YPF found large deposits of unconventional shale oil and gas in Argentina’s **Loma La Lata** area of **Vac Muerta** (“dead cow”) onshore shales. Large petroleum companies such as **Apache**, **ExxonMobil** and **Total** have also make investments in Argentina. Repsol YPF has also made investments in Brazil, Venezuela and Latin America. In 2010, China’s **Sinopec** petroleum company paid out \$7.1 billion for 40 percent of Repsol’s Brazil holdings. Latin America and South America are the new fracking battlefield territories, where energy companies are poised to take control of the unconventional spoils.

“We” and “Them” in Richard Morningstar

U.S. State Department Eurasia Energy Envoy Richard Morningstar has played a central role in the defence and promotion of fracking Poland's, EU's, and Eurasia's unconventional shales, and is mentioned numerous times in this report (chapters 5, 7, 8, and 11).

Morningstar made a critical assessment of the political fracking front in Europe, if not globally, in the opening part of his presentation:



Poland's very active participation is probably the most active participant in our Global Shale (Gas) Initiative, which continues to be a very important part of the relationship.

He then posed the question: “Why should we here in the United States care about Poland's energy security, as well as overall European energy security?” Among other answers to his own question, he said “Poland is our friend,” “we want to help,” and “it's our business to help people like Poland.” Who exactly is the “we,” and the “our?” As America's contracted Eurasian energy spokesman, Morningstar never defines who ‘he’ is actually representing, and most likely is implying that it is the international corporations based in the U.S. and their multiple interests and diverse representatives and agents that represent the “we” in America. And, as implied in Beata Stelmach's presentation, U.S. corporations and the U.S. State Department are intending to continue to redirect and influence the EU's energy directives, using Poland as its portal voice to do so.

I want to stress again how important I think it is that Poland be a leader in Europe, and in the region.

It's important to ensure that any new regulations that are developed in Brussels, whether it relates to shale, nuclear or other areas, be reasonable, objective, constructive. Recognize: yes the critical importance of safety and environmental regulations, but not to be so totally stifling that development can't take place. Gas, as the undersecretary mentioned, is going to be critically important to the development of European energy security, as well as global energy security.... And yes it has to be managed, shale has to be managed, it should be managed and not just thrown overboard so early just because of fears.



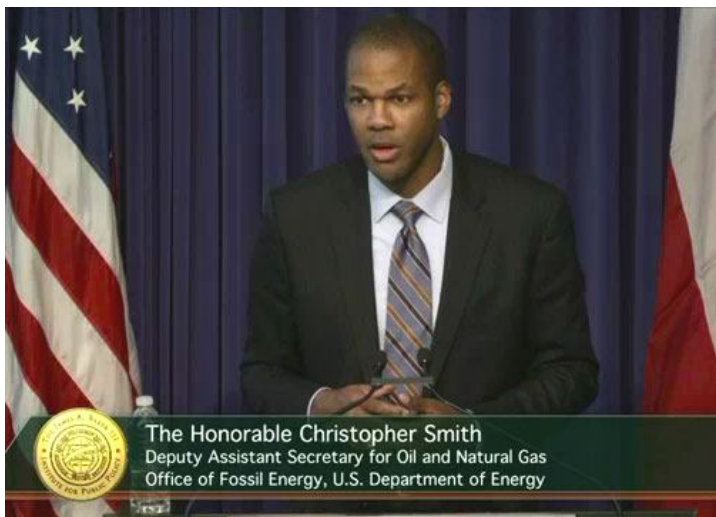
Our Russian friends are very smart, and they know what shale can do. And, I think if there is a competitive market threat, it will be Russia developing it's own shale! Don't think for a minute that they are not looking at that. And that's okay. That's what markets are all about.

With regard to the EU-US Energy Council, Morningstar said: “As part of our energy policy working group, shale should become a major area that we work together with Brussels as part of the Energy Council.”

Christopher Smith and the Crystal Fracking Ball

In September 2009, the U.S. Secretary of Energy appointed Christopher Smith as the Deputy Secretary for Oil and Natural Gas. Smith has an engineering management degree from West Point, the US military academy in Fort Worth, Texas. He worked for Citibank and JP Morgan before his eleven years with Texaco and then with Chevron. Smith stated the following:

*It's the regulatory challenge that is truly difficult. The regulatory challenge is not only in the way that we regulate shale gas development that is primarily on private land, which means it is regulated by the States, 32 different oil and gas producing States here in the United States, that have different sets of standards, and regulations, and budgets for inspectors, and permitting processes. So, within each one of those States you've got a myriad of counties and cities and municipalities, all with different rules. So, the regulatory challenge here is very complex, it's a different type of resource to develop in terms of the way that you develop it. Once you find it, once you get good at developing a play it does turn into something like a manufacturing process that involves a continuous drilling process. And, it's a resource that we are developing in areas which **in many cases the people that live there are not used to oil and gas production.** And, that causes some challenges.*



How do we ensure that we are developing this resource in such a way that we've got the right kind of environmental sustainability, the right type of safety? Certainly, if

My interaction I've had with American companies investing in Poland is that the ball is really moving in the right direction, so I think that is really encouraging.

you look back at the mandate that we've been given at the Department of Energy, in terms of managing a portfolio of research projects to help us do this well, we've got a clear goal and a clear mandate of making sure we can do this safe, that is environmentally sustainable. And, that is something we can do. There have been a couple of studies that have occurred parallel with NPC's (National Petroleum Council's) study⁹ that I just mentioned: one of them was the Secretary of Energy's Advisory Board which independently came up with a lot of recommendations that were fairly closely paralleled with the recommendations that came out of the NPC study, in terms of what are the types of Best Practices that need to be employed, how do you make sure that you are addressing the concerns that communities do have.

Taking what can be an emotional conversation and turning it into a scientific conversation, doing the work to quantify the risks and evaluate the claims that are being made, and making sure that the regulations are in place match the risks that are inherent in operations,

⁹ National Petroleum Council, *Prudent Development of North America's Oil & Gas Resources*, September 15, 2011. Refer to chapter 14-1 for a brief discussion of the report.

*is going to be something that is very useful in moving this forward and gaining the confidence of communities so that we can **prudently** develop this resource.*

*We understand that for the national security of the country and for the economic well-being of our economy, that oil and gas is going to continue to be extremely important for the foreseeable future. And, so the challenges that we face in terms that we can **prudently** develop the resource, that we can do it as well as possible, that we can get the most out of the resource, that's going to be extremely important for national security, it's going to be important for our economy, it's going to be important for building jobs. We've spent a fair amount of time looking at international issues in terms of providing support to other nations. And, not only sharing what we've learned, and some of our ____ steps here in the United States, but also looking for opportunities for American companies to invest abroad in a way that is mutually beneficial for American companies and for the economies in which we are investing. We see the shale gas story as being something of great importance throughout the world.*

Andrzej J. Kozlowski - ORLEN and the New Era of Gas (Be Careful What You Wish For)

Andrzej Kozlowski is the executive director for strategy and project portfolio management for PKN ORLEN. Here is what he said:

A couple of words about ORLEN, for those of you who don't know the company. ORLEN is the leading producer and dealer of refined products, petrochemical products, in the Central and Eastern Europe. We operate 7 refineries in Poland, Czech Republic, and Lithuania. We also have the largest retail network. The service station network in Central and Eastern Europe, it's about 2,700 filling stations. We are a listed company. The largest shareholder of ORLEN is the Polish State, which holds some 27.5% of the shares. The remaining shares are free-floated. We are also one of the largest companies in the Central and Eastern Europe, in terms of revenues. Last year we recorded 27.7 billion U.S. dollars, that was our turnover. Some people don't know, but we are actually also one of the major consumers of Russian crude oil. We buy each year some 11-13% of the total production of REPCO, of the Russian Federation, which makes us one of the biggest customers of Russia.

So far, we have been purely a downstream company. I like one of the comments made today, that the new era begins, the era of gas. So, we all know, coming from the refining industry, that the golden years of refining are over. But, at ORLEN, we want to be part of this new era, we want to be part of the golden years of gas! So, in a couple of years, I would like to come here and say, that I am from ORLEN, a gas and oil company! And, I'm sure that this will happen. So, in our strategy, that we defined back in 2008, we defined two new business segments that we want to develop, and those are actually upstream and power generation. And when I say upstream, I mean we really count on shale gas.

There is also a number of diversification projects going on, in progress. One project that was mentioned is the construction of an LNG terminal, and the deployment of that terminal is planned for 2015.

There was a question about opinions, what Polish society thinks about shale gas, and, here is the answer. The recent poles conducted by a company called CBOS show that, I mean 73% say yes to shale gas in Poland. Of course, the picture is not so rosy if you ask those

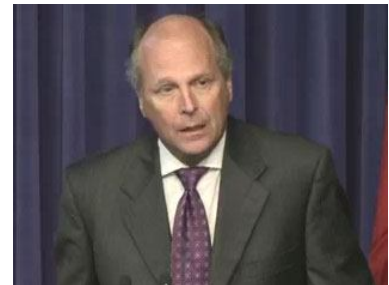


people questions, I mean, do you mind if we build the rig next to your household. I mean, then the majority of people say no. But, to be honest with you, I'm not surprised, this is nothing unusual, and I think it's just a matter of proper communication to convince those who are afraid that's it's actually not so scary. And, I saw a number of examples here in Texas on the Barnett Shale where you actually have rigs next to the Starbucks, next to the filling station, next to the schools, next to the golf courses. I mean, I think we can deal with that in Poland.

*In terms of the challenges and the risks that we (ORLEN) see. Of course, there is a long way to go, and in my opinion, the future of shale gas is still uncertain. There are lots of issues that we need to deal with. ... We also have to think about regulatory and environmental issues, infrastructure, tax, and all those things. There was also a comment made today that the industry expects government to step in and to work on the regulations. This is not true. This is not how it should work. **It's actually industry, in my opinion, is responsible for coming up with those regulations,** or the proposal of proper regulations, and help and give a hand to the government to implement those quicker. And, this is actually the way it works. We have an organization that represents the industry,¹⁰ and we are working close with the government. So, **I'm pretty sure we can come up with decent regulations that will limit your risk as the investors.***

Halliburton's Timothy J. Probert

Timothy Probert is Halliburton Company's president of Strategy and Corporate Development:



In addition to our exposure here in North America, in all the major shales here, unconventional development is starting to move rapidly internationally. Whether that's in Mexico, Argentina, Australia, or indeed in Poland, where we're delighted to be a part of the

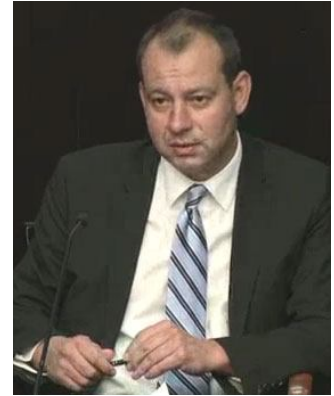
¹⁰ Kozłowski is most likely referring to the OPPPW, the Polish Exploration and Production Industry Organization, or **Organizacja Polskiego Przemysłu Poszukiwawczo-Wydobywczego**. There is a brief description of the OPPPW at the end of chapter 10-1. As of September 2011, the OPPPW had 14 petroleum corporations as members, and 6 as observer members. The OPPPW was formed in June 2010, the same month the U.S.-Poland Business Council was formed.

exploration and appraisal phases, I will call it, as we start to get into early parts of full-field development in Poland.

Pawel Jgosiak

Pawel Jgosiak is Polish-based PGNiG's deputy chairman of Shale Gas Task Team.

It's the same situation in all of continental Europe (regarding) mineral rights. Two metres below the surface, everything below two metres it is the state treasury. The owner of land has no rights to any hydrocarbons produced. The only way (for the landowner) is to compensate the usage of the terrain, or buy the land, that's the way. It is definitely different than the USA.



Patrick Wood III - Mr. Deregulation and the Pope

Patrick Wood was a former attorney with the Baker & Botts firm in Washington, D.C., a former advisor to federal Energy Regulator Commissioner Jerry Langdon, and a former legal counsel to Texas Railroad Commissioner Barry Williamson. Wood has been credited as the “longest-serving appointee of George W. Bush, who as governor of Texas in 1995 appointed him to the PUC of Texas, which regulates the state’s electricity and telecommunications industry.”¹¹ Another source¹² states that the former head of Enron Corporation Ken Lay asked Governor Bush to appoint Wood to the Texas Public Utility Commission, where Wood pursued a controversial policy of deregulation, Wood’s personal and political forte. After the PUC, Ken Lay once again asked Bush, now the U.S. President, to appoint Wood as the head or chairman of the Federal Energy Regulatory Commission (FERC), which he served from June 2001 to June 2005. Among many decisions made with FERC, Wood was credited in helping to certify 4,154 miles of new interstate natural gas pipelines and 128 billion cubic feet of new natural gas storage. For his conference opener, Wood attempted to link Poland’s Catholicism, via former Polish Pope John Paul, to the natural gas “revolution.”



*It's interesting, today. My kids go to Catholic school here in town. When I picked them up on Monday, the number two son goes, “Dad, do you know what great event happened 33 years ago yesterday?” I sat there, and I did the math, and said, okay, I was a junior in high school. He knows he can always stomp me, but he didn't this time. Because I remember, it was a great day. I was sweaty after track practice at high school, came in and sat down in the car, turned on the radio, waited for my friend. It was announced at that time that white smoke went over the Vatican, and this announcement came over loud on the radio and he said the name Karol Wojtyla. And everybody in the world was like stumped for about 20 seconds. And we figured out that the Polish guy got elected Pope. So, the Catholic school kids all celebrated still here in Houston, so I thought my Polish friends would like to know that. But, **how appropriate that Poland and revolution are on the same line today here in the context of natural gas.***

¹¹ FERC Chairman Pat Wood, III Announces Resignation, April 7, 2005.

¹² www.nolng.org/articles/fercchairman.htm

5. THE BAKER INSTITUTE AND “THE PURSUIT OF TRUTH”: AMERICA’S ENERGY POLICY AND BUSINESS KITCHEN

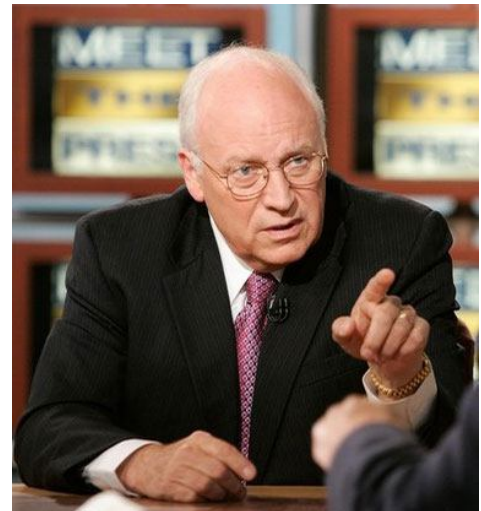


My vision for the institute is simple: to build a bridge between the world of ideas and the world of action. In my view, we need to work more diligently at nurturing the ties between these two worlds. In the pursuit of truth, scholars often neglect the hard, worldly realities that impinge on ideal solutions and the day-to-day requirements that drive or constrain the statesman’s options. And in their pursuit of the public good through power, statesmen often are disdainful of the world of ideas, closing out all outside advice and living in a cloistered world of their own making.

The institute, in short, should bridge these two worlds. Scholars should learn firsthand from statesmen of the practical imperatives that impact policy, oftentimes making “the perfect” the enemy of “the good.” Statesmen and policymakers should hear from scholars rigorous, logical--(and always practical)--analyses of how to improve the work they do. And students, the next generation of scholars and statesmen, should be enriched through participation in this dialogue and go on to become better scholars and statesmen as a result. (James C. Baker III, inaugural address on March 31, 1993, “Ideas into Action: A Vision for the Baker Institute”)

It’s odd that global giant Halliburton is not a listed sponsor of the Baker Institute, though it’s two other major global petroleum service industry competitors, Schlumberger and Baker Hughes Inc., are. There may be a plausible reason as to why not - perhaps its former CEO somehow facilitated that sponsorship vacancy.

In Robert Bryce’s 2004 book, *Cronies: The Bushes, and the Rise of Texas, America’s Superstate*, is a detailed account in the chapter *A Black-Tie Affair* about the Baker Institute’s dinner gala event with U.S. vice president Dick Cheney (former CEO of Halliburton) that commemorated the Institute’s tenth anniversary. About 800 eager guests appeared to hear and see Cheney, and coughed up \$3.2 million for the event to help finance the operations of the Institute. Here are some lengthy quotes from Bryce’s *Black-Tie Affair*:



The October 17, 2003, black-tie gala - with its minimum entry donation of \$750 per person - was a celebration of the tenth anniversary of the James A. Baker III Institute for Public Policy at the Rice University, the favorite think tank of the Bush Administration. It was an event celebrating Houston, the energy capital of the world. Energy money was paying for the jazz quintet, the 10,000 pink roses flown in from florists around the nation, the 77 dining tables, the massive tent, the chandeliers, the brigade of waiters, the cops on horseback, and lots more.

The gala was also a celebration of the Texas nexus - the place where energy money, political power, lobbying, and government are all combined into one big cocktail. And the chief bartender for the evening was the vice president of the United States.

Before dinner, liveried waiters in white gloves served hors d'oeuvres: foie gras, salmon tartar, and lemon mousse. Others carried around bottles of wine, eagerly refilling empty glasses. Three open bars served cocktails. The quintet played standards like "All of Me" and "Route 66."

After the Secret Service allowed the waiters to come back into the tent (following Cheney's speech), dinner was served: pumpkin bisque with cilantro creme fraiche (presented in miniature pumpkins), poached lobster with Creole vinaigrette, Cheyenne tenderloin, and breast of quail and, for dessert, Louisiana bread pudding and chocolate gateaux, served with champagne. It was all just so. Each guest was given an imitation-pewter cup (made in China) and a commemorative program from the James A. Baker Institute for Public Policy.

Security was tighter than Dick's hatband. Dozens of uniformed cops patrolled the Rice campus. Police on horseback were stationed at regular intervals along a temporary perimeter fence that had been erected in a three-block circumference around the Baker Institute. All guests were required to walk through a metal detector.

The Big Shots who wrote the bid checks for the event included Exxon Mobil, ConocoPhillips, and Shell Oil Company (combined market capitalization of the event for those three companies: \$396 billion), all of whom paid \$100,000 to be "tenth anniversary cohosts" of the soiree. The Baker Institute got another \$100,000 from Prince Bandar bin Sultan, the longtime Saudi ambassador to the United States and a crony of James A. Baker III's.

The biggest donor to the gala was an energy guy. And he provides a link between modern Texas and the halcyon days of the Shah of Iran. Hushang Ansary, who was the Shah's economics minister and, after that, Iran's ambassador to the United States, gave \$250,000 for the honor of being a "tenth anniversary host" of the gala.

Dick Cheney's old employer, Halliburton, gave \$25,000, and this allowed the company to have a special table at the gala. Other Halliburton types were on the guest list, too, including Anne Armstrong, the longtime Halliburton board member and advisor to Richard Nixon. Another special guest was the former Halliburton CRO Thomas Cruikshank, the man who recruited Cheney to work for the firm.

The guest list had a strong whiff of Enron, too.... Two former members of Enron's board of directors, John Duncan and John Mendelsohn, were part of the "honorary committee" for the Baker Institute gala. Harry Reasoner, one of Enron's key lawyers and Ken Lay's longtime pal, was also on the list. Reasoner was the managing partner of Vinson & Elkins, the law firm that handled Enron's legal affairs during the company's rise into the stratosphere.

*As the speechifying ended, Edward Djerejian, the director of the Baker Institute, told the crowd that the institute now had some \$43 million in its endowment. And with Cheney's visit, the White House had once again given its stamp of approval to the Baker Institute.*¹

One event Bryce forgot to mention in his *Black-Tie* chapter was the protest outside the temporary perimeter security fence. The Rice University student newspaper, *The Rice Thresher*, reported in an October 24, 2003 article, *Cheney Keynote at Gala*:

The student group Rice for Peace held a protest against Cheney's presence on campus that attracted about 60 students.

The crowd, which included several faculty members and graduate students, gathered by the Student Center outside the temporary security fence erected around the gala tent and the surrounding area.

The demonstrators chanted, "Go home Cheney," and carried signs labelled "Private interest does not equal public good"; "War breeds hate. Hate breeds terrorism"; "Our grief is not a cry for war"; and "Imperialism is Wrong," among others.

Although the gala's purpose was to honor the Baker Institute, protestors objected to Cheney's attendance because of the administration's alleged human rights violations in waging war in Iraq and Cheney's ties to Houston-based energy corporation Halliburton, which has been accused of unethical business practices.

"We just wanted to let people know Rice is our home, and as far as we were concerned, he's not welcome in it," Kaminsky, a Sid Richardson College senior, said. "Whatever prestige was added by having a vice president at the event was completely blown away by the person that is holding the office right now."

Kaminsky said Rice for Peace had planned a barbecue to go along with the protest and raise money for an international charity. Although the Rice administration gave permission for the barbecue, the Secret Service vetoed it as a security threat.

"The Rice administration was excellent," Kaminsky said. "We applied for the money through the clubs fund to help pay for the barbecue and we got it — they treated it like any other event. The Secret Service did not."

The Secret Service also denied Rice for Peace's requests to use sound-amplification equipment and to hold the protest closer to the tent, Kaminsky said.

¹ Some time after Robert Bryce authored his *Cronies* book, which is largely an indictment of the petroleum industry, he was hired by the Manhattan Institute, a right-wing policy think tank institute in Washington D.C. According to DeSmogBlog's Brendan DeMelle's October 11, 2011 blog article on Bryce, *Journalists ask NYTimes to set Disclosure of Conflicts Policy for Op-Ed Contributors*, and DeSmogBlog's Farron Cousins blog post on October 12, 2011, *Robert Bryce - The Media's Industry-Funded Go-To Guy*, "Bryce penned an op-ed" in the New York Times "attacking renewable energy while promoting nuclear and fracked shale gas, with no disclosure in his byline about the Manhattan Institute's fossil fuel clients." The Manhattan Institute's funding sources come from **ExxonMobil**, the **David H. Koch Foundation** (associated with the oil, gas and chemical corporation Koch Industries), the **Charles Lambe Foundation** (controlled by the Koch family), the **Earhart Foundation** (includes funding from White Star Oil company), and the **Carthage Foundation** (Scaife family coal and oil industries).

Djerejian said the demonstration did not bother him. “A good friend of mine told me, ‘A university is a sacred place,’” Djerejian said. “What he meant by that is universities in America are perhaps the last bastions where you can have total and free expression, and therefore all points of view should be given a forum on a university campus.”

Following the influx of new added capital from the Cheney gala dinner, in 2004 the Baker Institute went on a research blitz and published a long series of policy and working paper reports under the category of *Geopolitics of Natural Gas*, a joint project with California Stanford University’s Program on Energy and Sustainable Development.

Construction of infrastructure is a major challenge to increased world natural gas consumption. Cumulative investments in the global natural gas supply chain of \$3.1 trillion, or \$105 billion per year, will be needed to meet rising demand for gas between 2001 and 2030, according to the International Energy Agency (IEA). These case studies (working papers) focus on the special challenges of investing in large-scale, long-distance gas production and transportation infrastructures.... The expansion of gas as a global fuel depends in large part on success in attracting investment within such political, institutional and economic environments. The study examines the factors that explain why these projects were built and why alternative viable projects stalled.

The Baker boys’ blitz on natural gas reports occurred as unconventional gas exploration activities were beginning to explode in America, and about a year before the passage of the Halliburton Loophole by the Cheney-Bush Administration that would exempt the petroleum industry unconventional frackers from regulation and oversight from federal legislations, a highly controversial exemption facilitated in large measure by persistent lobbying strategies by the Interstate Oil and Compact Commission. The Baker Institute’s policy papers would help to stimulate interest at the highest political levels, and so would key industry investment spin-sponsors like T. (Thomas) Boone Pickens Jr., who has investments in “oil, natural gas, and nuclear power corporations like Halliburton, Schlumberger, and Shaw Group” and with “large positions in the stocks of Suncor Energy, ExxonMobil and Occidental Petroleum.”² On January 6, 2009, the Baker Institute even sponsored an afternoon forum with Pickens to help promote his new “Pickens Plan”.



2011 photo of James Baker and Dick Cheney during a commemoration ceremony of the 9/11 bombing event of New York’s Twin Towers.

As detailed at some length below, James Baker’s mission for his institute at Rice University to “pursue the truth” through the Baker Institute’s chieftain is closely aligned with big energy business, particularly oil and gas, in facilitating a mixing bowl of political, institutional and private industry agendas of the highest orders.

² Wikipedia, T. Boone Pickens.

5-(1). General Djerejian's Circles



U.S. Secretary James A. Baker III once described Ambassador Edward Djerejian as “quite simply one of the best diplomats I know.” An expert on foreign policy and Middle Eastern affairs, Djerejian held several positions under Presidents Ronald Reagan, George H. Bush and Bill Clinton, including U.S. Ambassador to both Israel and to the Syrian Arab Republic. After more than 30 years in public service, he is appointed the founding director of the James A. Baker III Institute for Public Policy in 1994. Under his leadership, the Baker Institute quickly emerges as one of the nation’s leading nonpartisan think-tanks. (Rice University Centennial Timeline: 1994)

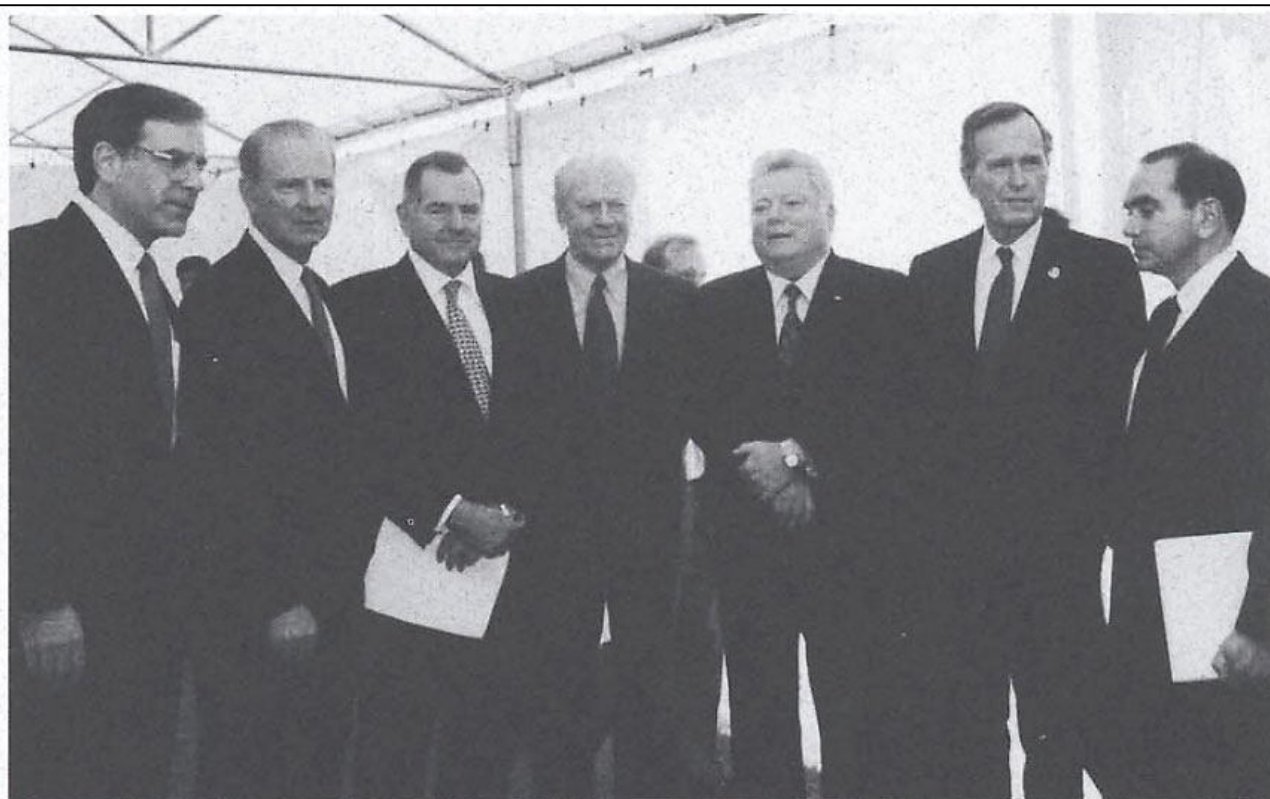
Edward P. Djerejian, the commander general of the Baker Institute since August 15, 1994, is a veritable who’s who on the American and international list of political power elites. He is, and has been, a director on two petroleum-based corporations, i.e., on T. Boone Picken’s Occidental Petroleum Corporation. In a February 2002 article about Baker Hughes partnership with **Uzbekneftegaz** in Uzbekistan to develop the North Urtaulak project, the author wrote that Baker Hughes director Djerejian’s “resume cuts across the arenas of corporate strategy and foreign policy”.³

There are numerous versions of biographies on Djerejian. The version on the Baker Institute’s website states that his “career in the U.S. Foreign Service spanned the administrations of eight presidents from John F. Kennedy to Bill Clinton.” Before Djerejian was appointed as US ambassador to Israel by president Clinton, he was both Clinton’s and president George H.W. Bush’s secretary of state for Near Eastern affairs, and was appointed as U.S. ambassador to the Syrian Arab Republic under the Reagan and H.W. Bush administrations. There is a long list of his activities in the “foreign service” which began in 1962. The Baker Institute biography states that “he serves on several public and nonprofit boards”, but fails to identify those servitudes.

A speakers biography of Djerejian from the December 3-5, 2008 USAEE/IAEE North American conference program states that he is fluent in four other languages: Arabic, Russian, French and Armenian. Wikipedia’s version states that he was born in New York in March 1939 (he is now 72 years of age), and that his parents were Armenian. In the Foreign Service, “he served as:

- Political officer in Beirut (1966–1969)
- Political officer in Casablanca (1969–1972)
- Consul General in Bordeaux (1975–1977)
- Chief of the US Embassy’s political section in Moscow (1979–1981)
- Deputy Chief of the US Mission to Jordan (1981–1984)
- Special Assistant to the President and Deputy Press Secretary of Foreign Affairs (1985).”

³ *To the Victors Go the Markets*, by Jordan Green, February 1, 2002.



From left: James Pomerantz, James A. Baker, III, Charles Duncan, Gerald Ford, Malcolm Gillis, George Bush, and Edward P. Djerejian

Photo of some of the important dignitaries in the Baker Institutes newsletter of February 1995, detailing the commemoration of the Baker Institute on October 14, 1994, where “approximately 1,400 guests attended the event.” Djerejian is on the ‘far right’, right next to former president Bush senior.

Wikipedia also states that he is “also on several public and non-profit boards”, only mentioning that he is “managing partner of Djerejian Global Consultancies, LLP,” and “named to the board of trustees of the Carnegie Corporation of New York.” Nothing else is said of his other positions.

On his **Djerejian Global Consultancies** website is his own quotation: “In order to enhance their success, individuals and corporations have a very real need to have a greater understanding of the political, economic, social and cultural context in which they operate abroad.” That website also states in his biography section that he “is a member of several public policy organizations, including the Council on Foreign Relations and the International Institute for Strategic Studies.” No mention of the other public policy organizations, and once again, no identification of “a number of corporate and non-profit organizations” he sits on.

Forbes, however, has information of Djerejian’s directorship on three corporations:

- **Occidental Petroleum Corporation;**
- **Baker Hughes Inc.;**
- and **Global Industries Ltd.**

Bloomberg has the same but with additional information - he is also a director of:

- **Incom Roofing Services Inc.;**
- and **Epok Inc.**

Bloomberg states that Djerejian has been with Occidental Petroleum Corporation since 1996, with Global Industries since February 1996, and served as a director with Baker Hughes from 2001 to April 28, 2011.

5-(1a). Djerejian: Baker Hughes Inc.

As described in the previous chapter, Baker Hughes operates “in over 90 countries worldwide” and “provides the world’s oil & gas industry with products and services for drilling, formation evaluation, completion, production and reservoir consulting,” all of the services for shale gas and oil fracking. Forbes rates Baker Hughes as 622nd in its Global 2,000 category. The timing of Djerejian’s arrival on the board of Baker Hughes is intriguing, as this is when shale gas explorations were beginning to gear up in America - a technology perfected from recent coalbed methane production - and when vice president Dick Cheney was holding his secret Energy Task Force meetings with many corporations. According to Baker Hughes’ April 28, 2011 annual company filing with the Security and Exchange Commission (SEC), “Messrs. Djerejian and (James L.) Payne will not stand for re-election and are retiring from the Board of Directors and the size of the Board will be reduced from 13 to 11 members.”



Wikipedia states that while Djerejian was a director:

In April, 2007, Baker Hughes pled guilty in U.S. federal court to violations of the Foreign Corrupt Practices Act (FCPA), including bribing oil-related industry officials in Russia, Uzbekistan, Angola, Indonesia, and Nigeria. Under the settlement, a unit of the Houston-based company pleaded guilty to violations of the Foreign Corrupt Practices Act (FCPA) for payments made between 2001 and 2003 to a commercial agent retained in 2000 in connection with a project in Kazakhstan. After bribes were paid, Baker Hughes was awarded an oil-services contract in a Karachaganak, Kazakhstan field that generated \$219 million in revenues from 2001 to 2006.


Forbes also states on its profile of Djerejian that total Director Compensation from Baker Hughes: in 2006 was \$122,661; in 2007 - \$149,968; and in 2008 - \$205,295. If this accurate for Djerejian, then he earned \$477,924 in three years alone out of the almost ten years of his service at Baker Hughes.


The Baker Hughes Board of Directors as of the year 2010 were:


- **Larry D. Brady.** Bloomberg reports that he has been a director of Baker Hughes Inc. since 2004. Former president, ceo and chair of **Intermec, Inc.** Former president and coo of **FMC Corp.** He is chair of **Intermec Technologies Corporation.** He served as Chairman of **Intermec, Inc.** He is vice chair of the Board of Trustees for the **National Merit Scholarship Corporation.** Former director of **Pactiv Corporation.** He is a member of the Advisory Board for **Northwestern University’s Kellogg School of Management** and the Board of the **Washington Roundtable.**



- **Clarence P. Cazalot Jr.** According to Bloomberg, he is president, ceo of **Marathon Petroleum Company LP** and **Marathon Oil Company** (formerly known as USX Corporation), which is an affiliate of **1339971 Alberta Limited** and **Marathon Oil Canada Corporation**. He is the Treasurer at the **American Petroleum Institute Inc.** He was **Texaco's** president of Worldwide Production Operations from 1999 to 2000, its president of International Production, and president of its International Marketing and Manufacturing. He was president of **Texaco Exploration and Production Inc.** He was president of **Texaco's Latin America/West Africa Division**, and former vice president of **Texaco Inc.** He is the chair of **Marathon Ashland Petroleum LLC**. Former chair of **London-based Texaco Ltd.** He a director of both the **U.S. and Saudi Arabian Business Council**. He is a board member of the **Greater Houston Partnership**, the **Sam Houston Area Council**, **Boy Scouts of America** and the **National Association of Manufacturers**. He is a member of **The Business Council** and serves on the Advisory Board of the **World Affairs Council of Houston**. He is a member of the Board of Trustees of **Spindletop Charities, Inc.**, and on the Board of Advisors for the **Maguire Energy Institute**.


- **Chad C. Deaton.** Bloomberg reports that is chair & ceo of Baker Hughes. Former president and ceo of **Exterran Energy Solutions, L.P.** (formerly, Hanover Compression LP). Former manager of **Hanover Compression General Holdings LLC**, a general partner of **Exterran Energy Solutions**, and former president and ceo of **Exterran Holdings, Inc.** A number of positions with **Dowell Division of Dow Chemical Company**. After Schlumberger acquired Dowell in 1984, he served in management with **Schlumberger** in Europe, Russia and the United States. Former executive vice president of **Schlumberger Oilfield Services**, and senior advisor to Schlumberger Oilfield Services and **Greater Houston Partnership**. He is a director of **Ariel Corporation**. Former director of **Carbo Ceramics Inc.** Member of the **Society of Petroleum Engineers' Industrial Advisory Council**. He is a director of **Greater Houston Partnership**.

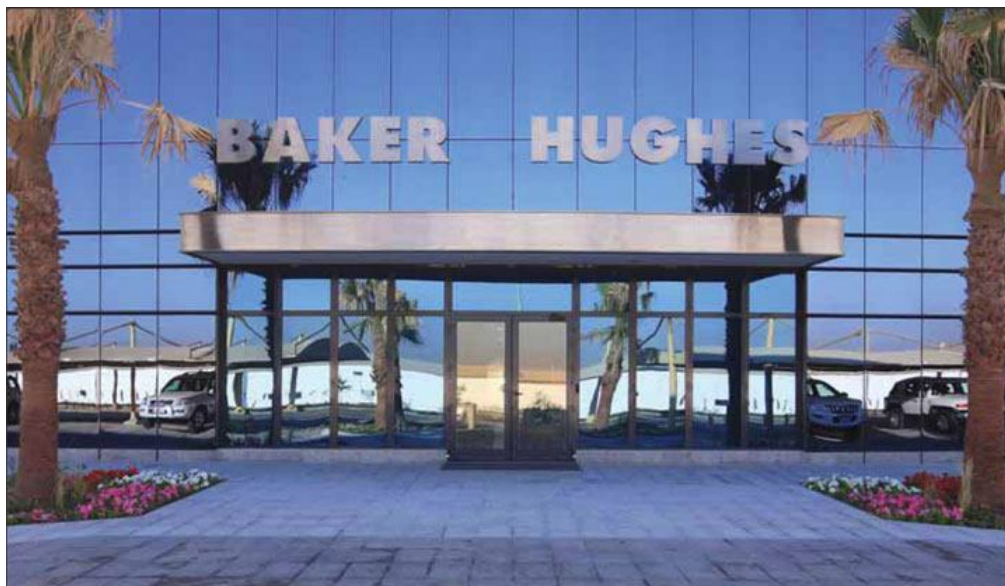

- **Anthony G. Fernandes.** Bloomberg reports is was the former chair, president and ceo of **Phillip Services Corporation**. He is ceo of **Philip Services/north Atlantic Inc.** He had 30 years of executive management experience with the **Atlantic Richfield Company (ARCO)**. He was president of **ARCO Coal**. Former chairman of **ARCO Chemical Co.** Former chair of **Lyondell Chemical Worldwide Inc.** Former director of **Black & Veatch Holding Company**. He is an independent director of **ABM Industries Inc.** He is the lead director of **Cytec Industries Inc.** He is a director of **Cytec Engineered Materials Inc.** He is a trustee of **Claremont McKenna College**. Former director of **TA Delaware Inc.** (also called Tower Automotive Inc.).


- **Claire W. Gargalli.** Bloomberg reports that she was the former president and ceo of **Equimark**. She was the former ceo and chair of **Equibank** and **Liberty Bank** (Equimark's subsidiaries). Former vice chair of **Diversified Search** and **Diversified Health Search Companies**. She is a director of **Praxair Inc.**, a director of **Western Atlas Inc.**, a director

of **Renal Treatment Centers Inc.**, and director of **Virginia National Bank**. She is the Emeritus Trustee of **Carnegie Mellon University** and of **Middlebury College**. A member of the advisory board for **The Heart and Vascular Center** and the board of the Foundation of the **Miller Center of Public Affairs**, both at the **University of Virginia**. She is a trustee of **Allegheny University of the Health Sciences**. Former director of **Intermec Inc.** (formerly UNOVA Inc.).



- Pierre H. Jungels.** Bloomberg reports a long list of careers. Former ceo of **Enterprise Oil PLC**. Former managing director of exploration and production at **British Gas PLC**. Various service with **PetroFina SA**, and ceo of **FINA Angola**. At Petrofina SA and its predecessors he was ceo and managing director of **FINA, PLC (U.K.)**. Numerous senior international positions with **Shell International**, where he began his career. He is the non-executive chair of **Rockhopper Exploration plc**. He is the non-executive chair of **Oxford Catalysts Group PLC**. He was the former non-executive chair of **Offshore Hydrocarbon Mapping plc**. (OHM Ltd.). A former non-executive director of **Imperial Tobacco Group PLC**, and is its senior independent non-executive director. He is a director with **Woodside Petroleum Ltd**. Former independent director of **Bristow Group Inc.** (formerly, Offshore Logistics Inc.). Former director of **Enterprise Oil PLC**, where he was a director of **Enterprise (E&P) Limited**, **Enterprise Oil Limited**, **Enterprise Oil Exploration Limited**, **Enterprise Oil Indonesia Limited**, **Enterprise Oil Italy Limited**, **Enterprise Oil Middle East Limited**, **Offshore Hydrocarbon Mapping plc**, **Enterprise Oil Norge Limited**, **Enterprise Oil Operations Limited**, **Enterprise Oil Overseas Holdings Limited**, **Enterprise Oil Timor Gap (9) Limited**, **Enterprise Oil Timor Gap (14) Limited**, **Enterprise Oil UK Limited**, **Enterprise Oil Nominees Limited**, **Enterprise Petroleum Limited**, **First Oil SNS Limited**, **Institute of Petroleum Paladin Oil Denmark Limited**, **Saxon Oil Limited** and **Saxon Oil Miller Limited**. Former president of the **Institute of Petroleum** (now part of the newly created Energy Institute). Former chair of the **Centre for Marine & Petroleum Technology**.



One of two Baker Hughes' major operations centers in Saudi Arabia.

- **James A. Lash.** Bloomberg reports that he has been a long-time venture capitalist (investments on the computer, software, telecommunications and life sciences industries). He is the long-serving chair of **Manchester Principal LLC**. He is the president of the **Alumni Association of MIT**. Former ceo of the **Reading Tube Corporation**. Former director of **Webridge Inc.** and **Click-Webridge, Inc.** He is a director of **B.H.I.T., Inc.**, of **Ivy Animal Health Inc.**, and of **Unicast Communications**. He is a director of **Industrial Manufacturing Company** and **City Center 55th Street Foundation Inc.** He is a director of the **East West Institute**. Former director of the **Vesper Corporation**. He is the chair of the **Budget Committee of the Board of Estimate and Taxation of Greenwich, Connecticut**.



- **J. Larry Nichols.** Bloomberg reports that he co-founded **Devon Energy Corporation**, and is president of **Devon Energy Production Company LP**. Mr. He was the president of **Sonic Corp.** He was the law clerk to Chief Justice Earl Warren and Justice Tom Clark of the **USA Supreme Court**. Former chair of the **American Petroleum Institute Inc.** He is on the Board of Governors of the **American Stock Exchange**. He is a director of the **Domestic Petroleum Council**, the **National Association of Manufacturers**, the **Independent Petroleum Association of America**, the **Natural Gas Supply Association**, the **Independent Petroleum Association of New Mexico**, the **Oklahoma Independent Petroleum Association** and the **National Petroleum Council**. He is a director of several trade associations related to Devon Energy. He was a director of **BOK Financial Corp.** Former director of **Smedvig ASA**.



- **James L. Payne.** (Refer to his biography below under *Global Industries*, where he also serves as a fellow director with Djerejian).

- **H. John Riley Jr.** Bloomberg reports that he was the former president, ceo and chair of **Cooper Industries Ltd.** Former director of **Allstate Corp.**, former director of **Westlake Chemical Corp.** He is a director of **Post Oak Bank, N.A.** He is a director of **Manufacturers Alliance/MAPI Inc.**, of **Junior Achievement Inc.**, and of **Central Houston Inc.** Former director at **Dynegy Inc.** He is a Trustee of **Syracuse University**. He is a director of **Greater Houston Partnership** and of the **National Association of Manufacturers**. He is a trustee of the **Museum of Fine Arts, Houston**.



- **J.W. Stewart.** Bloomberg reports that he was the former chair, president and ceo of **BJ Services Company**. He is the president of **BJ Services International Inc.**



- **Charles L. Watson.** Baker Hughes' 2010 annual report states that he is chair of **Twin Eagle Management Resources** and **CLW Investments Inc.**, information that Bloomberg does not have. Bloomberg reports that he is a senior advisor at **Électricité de France (EDF) Group**. He was the former chair and ceo at **Dynegy Inc.** (and founded its predecessor, **Natural Gas**

Clearinghouse Corp.). Former president of **NGC Corporation**. He was the co-founder and chairman of **Eagle Energy Partners**. He is a member of the Advisory Board of **Angeleno Group, LLC**. He is the chair of **Wincrest Ventures**. He is a director of **Greater Houston Partnership**. He is a board member of the **Baylor College of Medicine**, a member of the **Governors Business Council**, a member of the **National Petroleum Council**. He is a member of the Executive Committee of **Edison Electric Institute**, and a founding member of the **Natural Gas Council**. Former director of **Theatre Under the Stars**, and former director of the **Hobby Center for the Performing Arts**. Former board member of the **Independent Petroleum Association of America (IPAA)**, the **Natural Gas Supply Association (NGSA)**, the **Interstate Natural Gas Association of America (INGAA)**, and the **Natural Gas Council (NGC)**. Former chair of the **Alexis de Tocqueville Society**, and former chair of the 1999-2000 fund raising campaign for the **United Way of the Texas Gulf Coast**. He is the owner of the **AHL Houston Aeros hockey franchise**, and a minority owner and Director of the **NFL Houston Texans**.



5-(1b). Djerejian: Occidental Petroleum Corporation

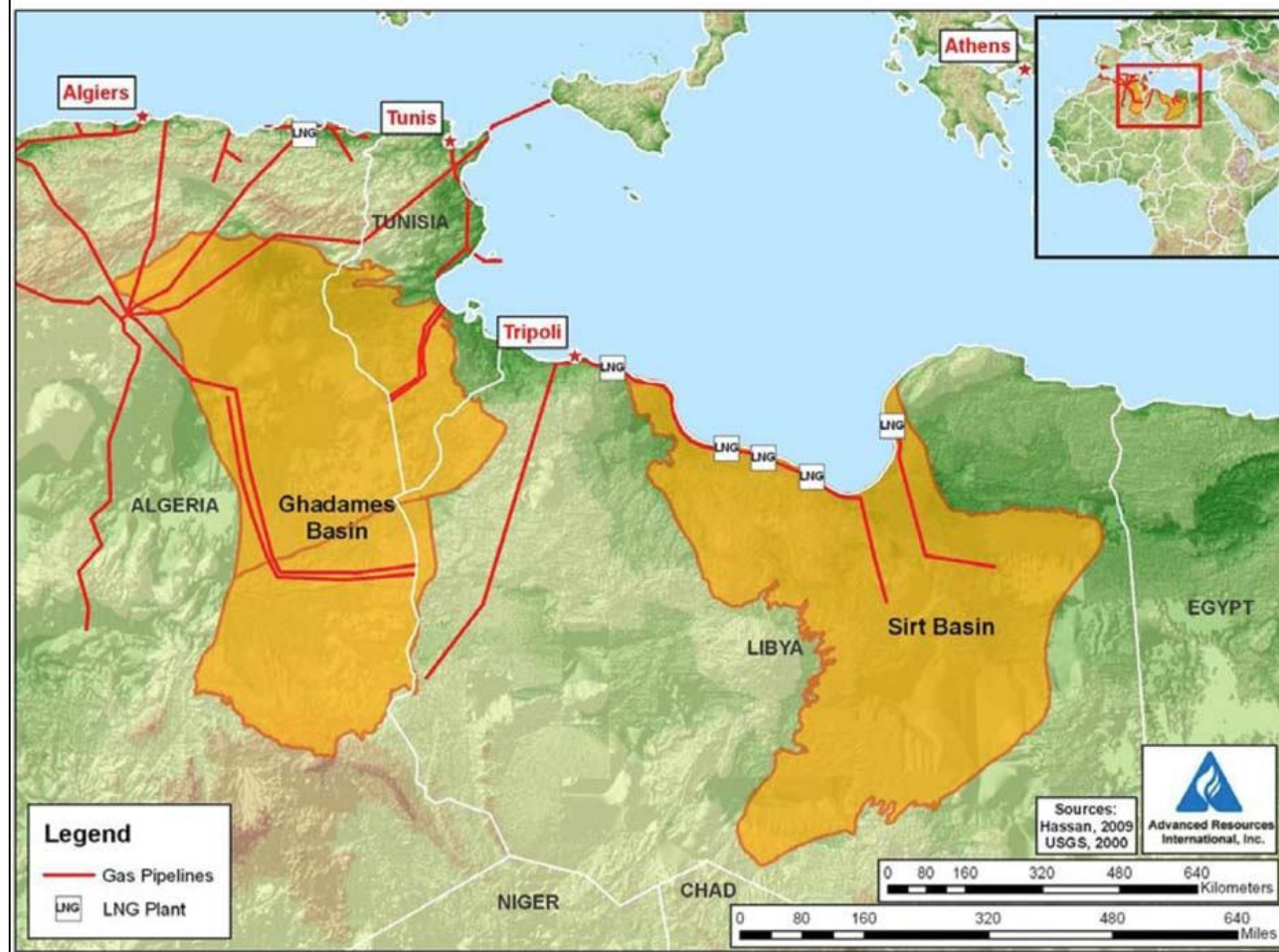
Wikipedia states that the Occidental Petroleum Corporation, founded in 1920, “is a California-based oil and gas exploration company with operations in the United States, the Middle East, North Africa, and South America.” Nicknamed ‘Oxy’, it “is the largest oil producer in Texas and the largest natural gas producer and second-largest producer of oil and gas combined in California, with additional operations in Kansas, North Dakota, Utah, Oklahoma, Colorado and New Mexico.” Oxy’s subsidiaries “include wholly owned chemical manufacturers **Occidental Chemical Corporation**, **OxyVinyls**, and **INDSPEC Chemical Corporation**.” It also “indirectly owns **Armand Products Company** with **Church & Dwight Co. Inc.** **Carbocloro S.A. Industrias Quimicas** is a joint venture between **OxyChem** and **UNIPAR** in Brazil.”

Perhaps Djerejian’s foreign relations expertise was required when Occidental began lobbying in Libya which not only has large oil reserves, but, as the Energy Information Administration reported in its April 2011 global shale gas report, Libya also has significant unconventional shale potential, a very important fact that both the media, and Libyan experts interviewed by the media, failed to report on during the recent Libyan uprising and takeover of the Qaddafi regime.⁴ In Wikipedia:

Occidental has been criticized for lobbying for a special exemption, on behalf of Libyan dictator Muammar Qaddafi, to a federal law designed by Senator Frank Lautenberg (D-NJ) to assist American terror victims seize assets of countries found culpable in terror attacks such as the Libyan bombing of the Pan Am flight in Lockerbie in 1988 which resulted in the deaths of 270 passengers and crew, including 189 Americans. In 2008 the company hired

⁴ *World Shale Gas Resources: An Initial Assessment of 14 Regions Outside the United States*, April 2011. Out of seven regions in Africa, Libya’s shales is assessed as representing about 35 percent of all of African potential. “Libya is also a major hydrocarbon supplier, with 1.5 Bcfd of natural gas production from reserves of 50Tcf and 1.7 million barrels of oil production from reserves of 41 billion barrels, in 2008. Libya’s natural gas production has more than doubled since 2004, when the “Greenstream” pipeline came online, linking Libya’s previously unconnected productive capacity to European markets.... No public announcements of shale gas activity are reported for Libya.”

Figure VIII-1. Shale Gas Basins and Pipeline System of Central North Africa



Map of shale gas resources in Libya, from *World Shale Gas Resources* (April 2011).

Hogan & Hartson, a Washington D.C. law firm to successfully secure the exemption for Libya, a country where Occidental had major oil drilling operations prior to the anti-Qaddafi uprising in February 2011. Occidental's Chairman, Ray Irani, told investors during a conference call in 2007 that "Libya is a very attractive place" in describing that country's oil reserves. Irani led Occidental back into Libya in 2005, personally negotiating with Qaddafi, the terms of a new contract after the sanctions imposed by President Reagan as a result of Libya's terror attacks were finally lifted by the U.S. government. The company has since withdrawn from Libya pending resolution of the current crisis.

The United States Securities and Exchange Commission was in June 2011 investigating Occidental's possible role in illegal actions relating to the Libyan Investment Authority or LIA, an investment firm controlled by Libyan dictator Muammar Qaddafi. United Kingdom prosecutors, in cooperation with the SEC, have undertaken similar investigations of Occidental's actions during this same period to determine if Occidental, as well as other oil companies, **violated international bribery laws**. **The Libyan government has invested \$80 million dollars in Occidental**. These funds were subsequently seized by the U.S. government in reaction to Qaddafi's attacks on Libyan civilians.

Wikipedia also relates how Occidental's long-standing chair and ceo, and later demoted to president, Dr. Ray Irani, along with Occidental president Stephen Chazen:

ordered a reduction in company expenditures that resulted in hundreds of company job terminations, the majority of whom were veteran employees, in 2007-2008, at the height of the recession, even as Irani collected a massive \$460 million dollar total compensation package for 2006 and the company enjoyed record profits. According to the Associated Press, within the last decade, he has received \$857 million. "We're not in the business to employ people. We're in the business to make a profit," Irani has said. Chazen collected \$38,080,344 and Irani \$76,107,010 in fiscal year 2010, nearly doubling his 2009 compensation despite shareholder outrage over the Occidental board of directors executive pay policies.

On July 29, 2010, Vladimir Gusinsky filed a shareholder derivative action law suit in the County of Los Angeles Superior Court against the directors of Occidental Petroleum. Stated in section one of the court document, "this action seeks to hold defendants liable for breach of their fiduciary duties of candor, good faith and loyalty, and for corporate waste, unjust enrichment, aiding and abetting, and breach of contract in connection with the award of excessive and unwarranted 2009 executive compensation." In a long list of informational statement complaints about annual director salaries and incomes in sections 19 through 34 of the court document, section 25 lists "Defendant Edward P. Djerejian":

Djerejian has served as a director of OXY since 1996. In 2009, Djerejian received compensation of \$414,361 for serving on the OXY Board, despite the fact that OXY's net sales, net income and earning decreased 36.3%, 57.4% and 57.1%, respectively. Djerejian issued OXY's 2010 Proxy Statement representing that OXY's executive compensation parties follow a pay-for-performance policy. He also signed OXY's 2009 Form 10-K containing OXY's diminished 2009 results.

According to Oxy's SEC filing in December, 2010, the Gusinsky suit was settled out of court.

Forbes states on its website profile of Djerejian that his total Director Compensation ("fees earned or paid in cash, stock awards, all other compensation") from Occidental Petroleum in 2005 was \$77,500, in 2006 - \$357,673, in 2007 - \$363,178, in 2008 - \$534,073, and in 2010 - \$540,670 for a total of \$1,873,074 over a five year period (excluding 2009). If the 2009 figure of \$414,361 from the court document is included, then Djerejian earned \$2,287,435 over a six-year period.

One of the Baker Institute's report of September 2002, *Energy Study: Latin America - The Orinoco Heavy Oil Belt in Venezuela*, states that the report's production was sponsored by Occidental Petroleum (including a list of many other petroleum companies).

The current Occidental Petroleum Corporation (Oxy) Board of Directors are:

- **Dr. Ray R. Irani.** Bloomberg reports that Irani has been an executive of Oxy since 1990, of which he was chair and ceo for almost all of his long term of service. He was also chair and ceo with **Occidental Chemical Corporation**. He is a director at **Wynn Las Vegas, LLC** and **The TCW Group, Inc.** Former director at **Kaufman & Broad SA** and **Cedars Bank**. Former director at **KB Home**, and is the chair of its executive committee. Former

independent Director at **Wynn Resorts Ltd.** Former director at **Lyondell Chemical Company**, and is a member of its executive committee. Former director at **Nexen Inc.** He is a director at the **American Petroleum Institute**. Honorary fellow of the **American Institute of Chemists**. He is a member of the **American Chemical Society**, of the **Chief Executive Officer Roundtable**, of the **Conference Board**, of the **Council on Foreign Relations**, of the **U.S.-Saudi Arabian Business Council**, of the **National Petroleum Council**, of the **Scientific Research Society of America**, and of the **Industrial Research Institute**. He is a trustee of the **University of Southern California** and is chair of the University's academic affairs committee. He is a vice chairman of the Board of the **American University of Beirut**. He is a member of the **Board of Governors of Town Hall**. He is a member of the **World Affairs Council**.

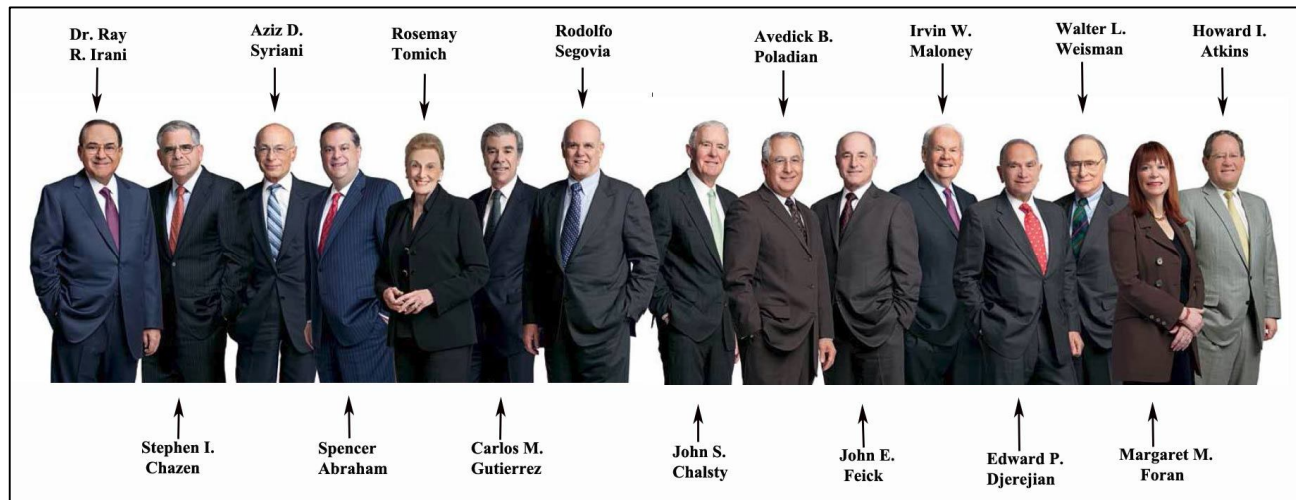


Photo of Occidental's board of directors from its 2010 annual report.

- **Stephen I. Chazen.** Bloomberg reports that he is the current ceo of Oxy, and has former president since December 2007. He was the former cfo of Oxy. Former investment banker, managing director of mergers and acquisitions, and managing director in the natural resources group at **Merrill Lynch**. He is a director of **Lyondell Chemical Company**. He is a director at the **American Petroleum Institute Inc.** He is a director of **Port Arthur Finance Corp.** He is a director of **Sabine River Holding Corp.**, the General partner of **Port Arthur Coker Company L.P.** Former director of **Washington Mutual Inc.** Former director of **Premcor Inc.** He is on the Governance Committees of **Equistar Chemicals, LP** and **OxyVinyls L.P.**
- **Aziz D. Syriani.** Bloomberg reports that he has been president and is the ceo of the **Olayan Group**. He is a director of **Credit Suisse** and **Credit Suisse Group**. Former director of **Winterthur Group**, **Winterthur Life Insurance Company** and **Winterthur Swiss Insurance**.
- **Spencer Abraham.** Bloomberg reports that he is the founder, ceo and chair of **The Abraham Group, LLC**. He was the former **U.S. Secretary of Energy**, and is the chair and ceo of its Board. Former **United States Senator from Michigan**. In the Senate, he was **Chairman of the Senate Immigration Subcommittee** and the **Senate Commerce Subcommittee on Manufacturing and Competitiveness** and was a Member of the **Senate**

Commerce, Judiciary and Budget Committees. He was the author of 22 pieces of legislation signed into law. Former counsel to the law firm of **Miller, Canfield, Paddock & Stone**. Co-founded the **Harvard Journal of Law & Public Policy**. A visiting fellow at the **Hoover Institution**, a public policy research center headquartered at **Stanford University** and devoted to the study of politics, economics and political economy as well as international affairs. Periodic contributor of op-ed articles to the **Financial Times**, the **Wall Street Journal**, the **Washington Post**, **The Weekly Standard** and other publications as well as frequently appears as a guest commentator on **Fox News**, **Fox Business**, **CNN**, **CNBC** and **Bloomberg**. Former chair of the **Michigan Republican Party**. He co-founded **Federalist Society**. He is a consultant, chair and ceo at **Sunovia Energy Technologies, Inc.** He is an advisor of **Chem-mod, LLC**. Former senior advisor of **Sunovia Energy Technologies, Inc.** Former senior advisor of **Midas Medici Group Holdings, Inc.** He is the non-executive chair of **AREVA, Inc.** A director of **International Battery, Inc.** He is a member of Board of Managers at **Deepwater Wind, LLC**. He is a non-executive director of **Sindicatum Carbon Capital Group Limited**. He is a director of **C3, LLC**. He is a member of the advisory board of **Altergy Systems**. Former director of **ICx Technologies, Inc.**

- **Rosemary Tomich.** Bloomberg reports that she has been on Oxy's board since 1980, and has been the owner of the **Hope Cattle Company** since 1958, and owner of **A. S. Tomich Construction Company** since 1970. She is the chair and ceo of **Livestock Clearing, Inc.** Former founding director of the **Palm Springs Savings Bank**. She is a trustee emeritus of the **Salk Institute**. She is on the advisory board of the **University of Southern California School of Business Administration**, on the Board of Councillors for the **School of Letters and Sciences at the University of Southern California**, and on the **UCLA Foundation Board of Councillors**.
- **Carlos M. Gutierrez.** Bloomberg reports that he served as the **35th secretary of Commerce under George W. Bush**, where he “managed an agency with 38,000 employees and a \$6.5 billion budget focused on promoting American business at home and abroad”. He was the Bush administration's “**point person on immigration reform, DR-CAFTA and the Colombia Free Trade Agreement**”. He co-chaired the **Commission for Assistance to Free Cuba**. He “**led high-level trade missions to various countries around the world including South Korea, Vietnam, China, Russia, India, Iraq, Ukraine, Brazil, Peru, Colombia, Panama, the Dominican Republic, Mexico, and Canada.**” He is an operating advisor and regulatory and policy advisor at **Pegasus Capital Advisors, L.P.** He is vice chair of **Institutional Clients Group**. He is a member of the **Strategic Advisory Group of Citigroup Inc.** He was the general manager of **Kellogg de Mexico**. He was the vice president of **Kellogg Company**, and its executive vice president of **Sales and Marketing, Kellogg USA**. Former general manager of **Kellogg USA Cereal Division**. Former president of **Kellogg Asia-Pacific**. He is a director of **Dow Corning Corporation**. He is a Director of **United Technologies Corporation**. He is an independent director of **Corning Inc.** He is a director of **iGPS Company, LLC**, and of **Lighting Science Group Corporation**. He is a director of **Pension Benefit Guaranty Corporation**. Former director of **Colgate-Palmolive Co.** He is the chairman of **Global Political Strategies at APCO Worldwide**. He is on the boards of trustees of the **Woodrow Wilson International Center for Scholars**, and the **University of Miami**. “He is a visiting scholar at the **Institute for Cuban and Cuban-American Studies at the University of Miami** and is a **Member of the Board of ImmigrationWorks USA.**” He is on the advisory board of **Citizenship Counts** and a

member of the **Bipartisan Debt Reduction Task Force**. He is a trustee of the **W. K. Kellogg Foundation Trust**. Former director of **Grocery Manufacturers Association**.

- **Rodolfo Segovia**. Oxy reports that he is a “director and member of the executive committee of **Inversiones Sanford**, and former president of **Ecopetrol - Colombian National Oil Company**.” Bloomberg reports he is president and ceo of **Sanford’s PVC company**. He was the **former Minister and Senator of the Republic of Colombia**. “He served as Chief Executive Officer and President of polyvinyl chloride and polypropylene companies from 1996 to 1998.” “He is a trustee of the **university of the Andes** and serves as an advisor to the **Martindale center of Lehigh University**. Mr. Segovia was visiting Professor of Management at Lehigh University.”
- **John S. Chalsty**. Oxy reports that he is the president and chairman of **Muirfield Capital Management LLC**, and former chair of **Donaldson, Lufkin & Jennrette, Inc.**
- **Avedick B. Poladian**. Bloomberg reports that he is the executive vice president and coo of **Lowe Enterprises, Inc.** Former executive vice president and coo of **Lowe Enterprises Real Estate Group**. Former senior partner with **Arthur Andersen LLP**. Former vice chair of **Loyola Marymount University**. Former independent director of **Western Asset Income Fund**. He is a trustee of **Western Asset Premier Bond Fund**. He is a director of **Western Asset Funds, Inc.**, and a director of the **YMCA of Metropolitan Los Angeles**. He is a trustee of **PS**, general partner of **Public Storage Properties IV, Ltd.** and of **Public Storage Properties V, Ltd.** Former director of **California Pizza Kitchen**.
- **John E. Feick**. Bloomberg reports that he is a partner of **Kemex Engineering Services Ltd.** Former ceo and president, and now chair of **Matrix Solutions Inc.** Former president and coo of **Novacor Chemicals**, a subsidiary of **Nova Corporation**. He is a partner of **Kemex Engineering Services Ltd.** He has been a Director of **Veresen Inc.** since November 13, 1997. Former director of **Nexen Inc.** Former director of **Fort Chicago Energy Management Ltd.**, the general partner of **Fort Chicago Energy Partners LP**.
- **Irvin W. Maloney**. Forbes reports that he was the former president and ceo of **Dataproducts Corporation**. Former executive vice president of **Contel Corporation**, and former president of Contel’s information systems sector. Former general manager of **Harris Corporation**. Former vice president of years in various management positions with **IBM**, including vice president of **Western Field Operations**. He was affiliated with the **Center for Corporate Innovation**.
- **Walter (Wally) L. Weisman**. Bloomberg reports that he is a private investor, and former chair and ceo of **American Medical International, Inc.** Former chair of **Maguire Properties L.P.** He is a director of **Clinical Micro Sensors Inc.** Former director of **Price REIT Inc.**, and of **Community Care Health Network Inc.** (New York City). He is a member of **Supervisory Board of Fresenius Medical Care AG & Co. KGAA** (also called as Fresenius Medical Care Corp.). Former trustee of **Public Broadcasting Service (PBS)**, of the **Samuel H. Kress Foundation**, and of the **Harvey Mudd College**. He is the chair of the Board of Trustees of the **Los Angeles County Museum of Art**, and chair of the Board of Trustees of the **Sundance Institute**. He is the vice chair of the Board of Trustees and Trustee of the **California Institute of Technology**.

- **Margaret M. Foran.** Bloomberg reports that she is the chief governance officer, and vice president and corporate secretary of **Prudential Financial Inc.** Former senior vice president of corporate governance and associate general counsel of **Pfizer Inc.** Former executive vice president, general counsel and secretary of **Sara Lee Corp.** Former associate general counsel and assistant secretary of **ITT Corporation.** “She began her career as an Associate at Reid & Priest.” Former vice president, assistant general counsel at **J.P Morgan & Co. Inc.** Former secretary of **Morgan Guaranty Trust Company of New York.** Member of the Advisory Board at **Catalyst, Inc.** Member of Governance Leadership Council of **RiskMetrics Group, Inc.** Former director of **Encysive Pharmaceuticals Inc.** Former director of **The Mony Group Inc.** and its subsidiary, **MONY Life Insurance Company.** Vice chair of the board of **The Better Business Bureau of Metropolitan New York.** Member of the Standing Advisory Group at **Public Company Accounting Oversight Board (PCAOB)** and the **New York Stock Exchange Stockholder Approval Policy Task Force.** She is on the Business Advisory Council of **YAI National Institute for People with Disabilities.** Director of the **Association of Corporate Counsel (ACC).** Board member of **Legal Momentum.** She is on the **Corporate Directors Institute’s Independent Advisory Board of the National Association of Corporate Directors (NACD).** Member of the **ABA Commission on Mental and Physical Disability Law.** Member of the **Council of Institutional Investors and The Economic Club of New York.** Former member of board of trustees of the **Securities and Exchange Commission Historical Society.** Former chair of the **American Bar Association Committee on Corporate Governance** and is a member of its Business Council. Former chair of the **Coordinating Committee of the Business Roundtable Corporate Governance Task Force.**
- **Howard I. Atkins.** Bloomberg reports that he is the cfo of **Wachovia Preferred Funding Corp.** Former senior executive vice president and cfo of **Wells Fargo & Company,** a subsidiary of **Wells Fargo Foothill, Inc.** Former cfo and executive vice president of **Midlantic Corp.** Former cfo executive vice president of **New York Life Insurance Company.** Former cfo at **Midlantic National Bank** before its merger with **PNCBank Corp.** Former Corporate Treasurer of **Chase Manhattan Bank.** Director of **Ingram Micro Inc.** Director of the **Asian Art Museum in San Francisco.** Member of the **American Banker Chief Financial Officer Advisory Board,** of the **Financial Executives Institute,** and of the **Conference Board.**

5-(1c). Djerejian: Global Industries Ltd.

Wikipedia does not have any information on Global Industries Ltd., at this time. The company’s website states that it was formed in 1973 and evolved into “a leader in offshore construction in the Gulf of Mexico and around the world. Global has prospered by supply diving and pipelaying services vital in producing offshore oil and gas.” During difficult financial years for the oil industry in the 1980s, Global “began a series of major acquisitions that have catapulted the company up the ranks of the major offshore companies.” Global has six operational divisions for its fleet of offshore vessels: North America, Mexico, Latin America, West Africa, Middle East/Mediterranean, and Asia Pacific/India.

On Global's Board of Directors alongside Djerejian are:

- **John. A. Clerico.** Forbes and Bloomberg report that he is Global Industries' chair and former ceo of Global, a director of **Community Health Systems Inc.**, and a director of the **Educational Development Corporation**. Chair of his own company, **Chartmark Investments Inc.** Former executive vice president & cfo of **Praxair Inc.**, former treasurer and cfo of **Union Carbide Corp.** He was the cfo of **Conoco Inc.** and **Phillips Petroleum Co.** (1965-1983). Trustee of the **Oklahoma State University Foundation**. Corporate Finance Magazine's top four "leading corporate treasurers", and CFO Magazine's 1997 "CFO of the Year".
- **William J. Dore.** Forbes and Bloomberg report that he is the founder of Global, and former ceo and coo of Global. Former president of the **Association of Diving Contractors**. Member of the Advisory Board of **Founders Investment Banking LLC**, and member of **Global Divers & Contractors Inc.** Former director of **FutureFuel Corp.** Was a director of the **National Ocean Industries Association**.
- **John B. Reed.** Forbes and Bloomberg report that he is Global's ceo since March 2010, and is ceo of **Heerema Group Services S.A.**, and ceo of **Heerema Marine Contractors Nederland B.V.** Former ceo of **INTEC Engineering**. Former director of the **National Ocean Industries Association**, and past president of **International Pipeline and Marine Contractors Association**, and former chair of the **International Marine Contractors Association** - America's Deepwater Division.
- **Michael J. Pollock.** Forbes and Bloomberg report that he has been a director on Global since 1992. Former ceo of **CoStreet Communications** (formerly Orbis 1 Carrier Services). Former vice president, ceo & treasurer of Global.
- **Lawrence B. Dickerson.** Forbes and Bloomberg report that he is president & ceo of **Diamond Offshore Drilling Inc.**, and many other former executive positions under the same company. Chair of the **International Association of Drilling Contractors**. Served on the **U.S. Commission on Ocean Policy**. Former chair of the **National Ocean Industries Association**.
- **Larry E. Farmer.** Forbes and Bloomberg report that he was the former ceo of Halliburton's British subsidiary **Halliburton Brown & Root Ltd.**, and responsible for coordination of Halliburton business units in the United Kingdom, Europe and Africa. He is a non-executive director of **Energysys Ltd.** and **Digital Steps Limited**.
- **James L. Payne.** Forbes and Bloomberg report that he has a complicated association with a long list of corporations. He is now in his mid-70s, and has been the chair and ceo of **Shona Energy Co.** since December 2006, and is **the only individual that shared an overlap of directorships with Djerejian, the other being Baker Hughes Inc.** Payne is the former ceo and president of **Nuevo Energy Company** (acquisition, production and exploration of oil and natural gas properties), a company which merged with **Plains Exploration and Production Company**. Former ceo and chair of **Devon SFS Operating**



Inc. (formerly Santa Fe Snyder Corp. and Santa Fe Energy Resources). Former ceo and chair of **Santa Fe Energy Company** (which merged with Snyder Oil Company). Former director of **Pool Energy Services Co.** which was acquired by Nabors in 1999. Former director with **BJ Services** which merged with **Baker Hughes Inc.** in April 2010. The following is a lengthy quote from Bloomberg's background summary biography:

*Prior to his career with Santa Fe, he spent twenty-three years with **Chevron Oil** in various domestic and international exploration and management positions including Manager of Africa, Europe/Middle East and General Manager of Sudan. Mr. Payne served as Vice Chairman of **Devon Energy Inc.** from September 2000 to January 2001. He has been a Director of **Nabors Industries Ltd.** since 1999 and **Global Industries Ltd.** since December 2000. He serves as a Director of **Shona Energy**. He has served on the board of the **IPAA** and the foundation boards of the **SEG, AAPG** and **AGI**. He served as a Director of **Baker Hughes Incorporated** from April 2010 to April 28, 2011.... He served as a Director of **Nabors Holding Company** (formerly, Pool Energy Services Co.) from 1992 to November 1999, **Santa Fe Energy Resources Inc.** since 1990, **Devon Energy Corporation** since 2000 until January 2001, **LG&E Natural Inc.** (formerly, Hadson Corp.) since 1993 and **Monterey Resources, Inc.** since 1996. He served as a Director of **BJ Services Company** since 1999 until 2010. Mr. Payne serves as a Director of the **Domestic Petroleum Council**, the **Independent Petroleum Association of America (IPAA)**, the **Palmer Drug Abuse Program**, **Spindletop International** and the **Offshore Energy Center**. He serves as a Member of the **President's Council of the Colorado School of Mines**. He is a Member of the **Society of Exploration Geophysicists** and the **American Association of Petroleum Geologists**. In 1993, he became a **School of Mines Distinguished Achievement Medalist**.*

- **Charles (Chuck) Buckner.** Forbes and Bloomberg report that he is co-chair of Ernst & Young's **Global Energy Group** (Energy Services Group), and chair of the **United States, Houston and Russian Energy**, chemical and utility practices. Bloomberg states he "worked with Ernst & Young LLP, a public accounting firm, until 2002, after 35 years of service in a variety of direct client services and administrative roles while based in Houston, Cleveland and Moscow. He has extensive experience in formulating technical accounting policy and practice statements, and has participated in establishing SEC, AICPA and FASB audit and accounting standards." Director of **Energy Partners Ltd.** Director of **Patterson-UTI Energy Inc.** Director of **Horizon Offshore Inc** and **Whittier Energy Corp.** Former director of **Gateway Energy Corporation**.
- **Richard A. Pattarozzi.** Forbes and Bloomberg report that he was a former vice president of **Shell Oil Company**, and responsible for off-shore oil exploration and production businesses. Former vice president of **Shell Offshore Inc.** He is the non-executive chair of **Stone Energy Corp**, and lead independent director of **Tidewater Inc.**, and a director of **FMC Technologies**. Former director of **OSCA Inc.** He is a director of **Transocean Sedco Forex**, and of **Wellgix**. Former director of **TODCO**, and **Transocean Ltd.**
- **Edgar G. Hotard.** Bloomberg reports the following:

*Mr. Edgar G. Hotard is a Venture Partner at **Arch Venture Partners, L.P.** He is also a Senior Advisor to the **Monitor Group**. Mr. Hotard is an Operating Partner at **Hao Capital**. He has over 35 years of international operating and investing experience. Mr. Hotard is a*

*Co-Founder of the **China Economic and Technology Alliance**. He has been an advisor to a number of PE funds, including **MPM Capital**, **AEA Investors**, **Harvest Partners**, and **Monitor Capital**. He served as a Secretary and Treasurer at **US-China Business Council** since June 2006. Mr. Hotard has been a private Consultant there since January 1999. He was a Venture Partner at **MPM Capital**. Mr. Hotard was based in Boston office and was focused on developing relationships and opportunities in Asia and China for the firm and its portfolio companies. From July 1992 to January 1999, he was the President and Chief Operating Officer at **Praxair Inc.** In 1992, Mr. Hotard co-led the spin off of Praxair from **Union Carbide Corporation**, where he was a Corporate Vice President. Mr. Hotard serves as the Chairman of the **Monitor Group (China)**. He has been a Director of **Aquarion Co.** since 1995. Mr. Hotard has been a Director of **Global Industries Ltd.** since May 1999 and serves as the Chairman of its Compensation Committee and Member of Audit Committee. He was a Board Member of **Albany International** and **Shona Energy**. Mr. Hotard has been a Director of **Edgen Corp.** since August 1999 and **Home Care Supply Inc.** since July 2000. He served as a Director of **Iwatani Industrial Gases Inc.**, Osaka, Japan and also served as a Director of **Dexter Corporation**. From January 1996 to March 1997, Mr. Hotard also served as the Chairman of **Chicago Bridge & Iron Inc.** He served as a Director of **Global Power Equipment Group Inc.** since May 2001 to June 9, 2005 and served as the Chairman of its Audit Committee, Member of Corporate Governance, and Nominating Committees. He served as a Director of **Praxair Inc.** from 1992 to 1998 and **US-China Business Council** since June 2006. In December 2000, Mr. Hotard received the **Great Wall Award** from the municipality of Beijing, China and lectures at Tsinghua School of Economics and Management on entrepreneurship.*

5-(1d). Roofer Djerejian: Incom Roofing Service Inc.

Given Djerejian's directorships on three large corporations, why would Djerejian be a director of a seemingly lowly company by the name of **Incom Roofing Service Inc.**, a commercial roofing systems service founded and based in Houston, Texas? Is it merely a front company? Whatever the reason(s) may be (probably a lot of leaky roofs to repair with all the freak hurricanes resulting from global warming coming off the Gulf of Mexico), two of the three other directors at Incom have interesting portfolios, who in turn are associated with some very influential people.

- **Jim P. Wise.** Bloomberg states that Incom Roofing director Wise is a founder and advisory director of the **Free Enterprise Foundation**, which Wise himself confirms in his profile biography on a Texas State business web directory. Wise is a member of the **American Petroleum Institute**, and a member of the **American Institute of C.P.A.s**. He was the former chair and ceo of **Neostar Group Inc.**, and former ceo, president, and vice chair of **Integrated Electrical Services**. He was the former vice president of finance and cfo of **Sterling Chemicals Inc.** He was a director, cfo and executive vice president of **Transco Energy Company**, and was on the board at **Houston Natural Gas Corp.** He is on the Dean's executive advisory board at University of Houston's **Bauer College of Business Administration**, and on the advisory board of the **Salvation Army USA**. Bloomberg states that he "has more than 40 years of operational and financial experience with several public companies and 41 years of midstream experience. During his business career, Mr. Wise has served in a lead role in over \$7 billion in financing transactions and over 100 acquisitions as well as four successful IPO's."

5-(1d)-1. Wise with Haddington

What is perhaps more interesting about Mr. Wise as it relates to the issue of unconventional gas and its production and distribution, is his position as managing director and principal of **Haddington Ventures, L.L.C.**, including some of his fellow directors and board members.

Alongside Jim Wise on Haddington are:

- **E. Linn Draper Jr.** Bloomberg reports that he is a nuclear engineer. Was the ceo and president of **American Electric Power Company Inc.** Former president, coo, ceo, and chair of **AEP Service Corp.** Former chair, president and ceo of **Gulf States Utility Co.** Former ceo and chair of **Southwestern Electric Power Co.** Former ceo, president and chair of the **Columbus Southern Power Co.** Former president of **Ohio Valley Electric Corp.** and **Indiana-Kentucky Electric Corp.** Former ceo and chair of **APCo, I&M, and OPCo.** Former ceo and vice president of **Appalachian Power Company.** The former non executive chair and current director of **NorthWestern Energy.** He is the chair and director of **Northwestern Corp.** He is the vice chair of **Target (TGT)** running its Technology and Distribution services. He is an independent Director of **Sprint Corp.** He was a director of **I&M** and **Ohio Power Company.** He is a director of **BCP Management Inc.,** (“BCPM” or the “General Partner”) of **Borden Chemicals & Plastics Limited Partnership.** He is a director of **Temple-Inland Inc.** He is a Director of **Alliance Data Systems Corp.** and **Trans Canada.** He was a director and chair of the executive committee of **American Electric Power Service Corp.** He is the chair of the **Edison Electric Institute.** He is a member of the **National Academy of Engineering,** and a director of the **Nuclear Energy Institute,** a director of the **Institute of Nuclear Power Operations,** and the **Greater Columbus Chamber of Commerce.**
- **John M. Seidl.** Bloomberg reports that Seidl “has been in the energy business in various positions since 1977. Dr. Seidl has held various Board and Chief Executive positions in a number of major oil, gas, and natural resource companies. He worked at **Natomas** till 1984 and **Pacific Lumber Company** till 1993.” He is the chair of **Envirofuels LLC** and of **Language Line Services.** A director of **St. Mary Land and Exploration Company.** A director of **J.B. Pointdexter.** Former director of **CRSS INC,** of **Iomega Corporation,** of **CellNet Data Systems,** of **Maxxam Inc.** He was the “Chief Program Officer of the **Environment Program at the Gordon and Betty Moore Foundation** in San Francisco.” Former chair of **myHomeKey.com.** Former chair and ceo of **Kaiser Aluminum Corporation.** “Dr. Seidl was an Executive Vice President from July 1985 to May 1986 and the President and the Chief Operating Officer from May 1986 to January 1989 of **Enron Corp.** He also served in Washington as a **Deputy Assistant Secretary** in the Departments on **Health, Education and Welfare,** and **Interior.** He spent a number of years on the faculty of **Stanford University Graduate School of Business** and has also taught at the **Jones Business School of Rice University.**”
- **Oliver G. Richard III.** Bloomberg reports that he is the owner and president of **Empire of the Seed LLC.** Former chair, president and ceo of **Columbia Energy Group,** which was later acquired by **NiSource.** Former chair, ceo and president of **Jersey Resources Corporation.** Former president and ceo of **Northern Natural Gas Company.** Former executive and senior vice president of **Enron Gas Pipeline Group.** Former vice president

and general counsel of **Tenngasco**. He is a director of the **American Gas Association**, a member of the **National Petroleum Council**, a member of the **Virginia Business Council**, a member of the **Battelle Energy Industry Advisory Committee**. Former director of **Tri Union Development Corp.** Current director and former chair of the **Interstate Natural Gas Association of America**. Former director of **Mainline Management LLC-General Partner of Buckeye Gp Holdings L.P.** Former senior advisor to the **President's Commission on Year 2000 Conversion**. Former appointment by U.S. president Ronald Reagan as **Commissioner to the Federal Energy Regulatory Commission (FERC)**, the "youngest Commissioner ever appointed to FERC".

- **James K. Lam.** Bloomberg reports that since joining Haddington in 2001, he "has been since working on various acquisitions and greenfield developments involving gas storage, compressed air energy storage ("CAES"), and gas gathering, processing, treating, and transportation opportunities. Mr. Lam's responsibilities at Haddington range from deal sourcing, transactional due diligence, financings, portfolio company oversight, and investment monetization strategies." Bloomberg goes to report that "prior to joining Haddington, Mr. Lam was an Assistant Vice President at **Merrill Lynch**. He worked for a combined five years in investment banking in the natural gas research groups of **Merrill Lynch and Jefferies & Co.** Mr. Lam was responsible for maintaining comprehensive research coverage on the energy merchant conglomerates, integrated natural gas companies, natural gas local distribution companies, natural gas gatherers and processors, and pipeline master limited partnerships. He also worked as an analyst at **Jefferies & Co.**"

5-(1d)-2. Brigadier White

The other director of interest at Incom Roofing Services is **Thomas E. White** (former U.S. Brigadier General). It's hard to summarize the possible circles of intrigue here, but it is important to summarize what occurred some ten years ago with regard to Djerejian's fellow roofing director.

White was the center of U.S. national and international attention when he came under investigation in 2002 following a Washington Post newspaper article in late October 2001 (six weeks after 9/11) with information about numerous phone calls White allegedly made to Enron executives during White's appointment since May 31, 2001 as the U.S. Secretary of the Army.

The Bush administration's relationship with Enron has come under intense scrutiny since the energy firm became the biggest bankruptcy in corporate history. Kenneth Lay, another former chief executive, was a personal associate of the president and Enron was one of the biggest backers of the Bush election campaign.

*Talks aimed at ensuring the survival of Arthur Andersen, the accountancy firm that audited Enron's accounts, were continuing last night. The US offices of Andersen are attempting to settle an indictment for obstruction of justice ahead of a trial due at the beginning of next month.*⁵

White's communications occurred while Enron was facing bankruptcy (Enron filed for bankruptcy on December 3, 2001) and when "White unloaded 200,000 Enron shares for \$12 million"

⁵ *FBI investigates army secretary's Enron dealings*, The Guardian.

(Wikipedia, Thomas E. White). Wikipedia states that White failed to divest himself of his 50,000 stock options in Enron after he promised to do so during his confirmation hearing.

Wikipedia describes White's responsibilities as Army Secretary: he "was responsible for all matters relating to Army manpower, personnel, reserve affairs, installations, environmental issues, weapons systems and equipment acquisition, communications, and financial management. He led a work-force of over one million active duty, National Guard and Army Reserve soldiers and 270,000 civilian employees, he had stewardship over 15 million acres (60,000 km²) of land and an annual budget of nearly \$70 billion."

The intrigue over White's communications with Enron relates to his preceding close relationship with Enron as: the former vice chair of Enron's subsidiary **Enron Energy Services**; one of Enron's Executive Committee members; and chair and ceo of **Enron Operations Corporation**. Within this context, Wikipedia notes: "While serving as Vice Chairman of Enron Energy Services White had actively pursued military contracts for the company and in 1999 had secured a prototype deal at Fort Hamilton for privatising the power supply of army bases. Enron had been the only bidder for this deal after White had controversially used his government and military contacts to secure key concessions."

A March 25, 2002 *Fact Sheet - Secretary White's Contacts with Current and Former Enron Executives*, published by the Minority Staff with the U.S. House of Representatives' *Committee on Government Reform*, detailed chronological information about White's phone calls and White's selling of Enron shares following information requests by U.S. Representative Henry Waxman to Secretary White from January 14, 2002 onwards. The chronology details how White had sold a total of 405,710 shares of Enron stock between June and October 2001, and details who and when White spoke with.

In February 2001 Enron presented an imposing facade, but insiders knew better: they were desperately struggling to keep their Ponzi scheme going. When one top executive learned of millions in further losses, his e-mailed response summed up the whole strategy: "Close a bigger deal. Hide the loss before the 1Q."

The strategy worked. Enron collapsed, but not before insiders made off with nearly \$1 billion. The sender of that blunt e-mail sold \$12 million in stocks just before they became worthless. And now he's secretary of the Army.

Dick Cheney vehemently denies that talk of war, just weeks before the midterm elections, is designed to divert attention from other matters. But in that case he won't object if I point out that the tide of corporate scandal is still rising, and lapping ever closer to his feet.

An article in yesterday's Wall Street Journal confirmed what some of us have long argued: market manipulation by energy companies - probably the same companies that wrote Mr. Cheney's energy plan, though he has defied a court order to release task force records - played a key role in California's electricity crisis. And new evidence indicates that Mr. Cheney's handpicked Army secretary was a corporate evildoer.

Mr. Cheney supposedly chose Thomas White for his business expertise. But when it became apparent that the Enron division he ran was a money-losing fraud, the story changed. We were told that Mr. White was an amiable guy who had no idea what was actually going on,

that his colleagues referred to him behind his back as “Mr. Magoo.” Just the man to run the Army in a two-front Middle Eastern war, right?

But he was no Magoo. Jason Leopold, a reporter writing a book about California’s crisis, has acquired Enron documents that show Mr. White fully aware of what his division was up to. Mr. Leopold reported his findings in the online magazine Salon, and has graciously shared his evidence with me. It’s quite damning.

The biggest of several deals that allowed Mr. White to “hide the loss” - a deal in which the documents show him intimately involved - was a 15-year contract to supply electricity and natural gas to the Indiana pharmaceutical company Eli Lilly. Any future returns from the deal were purely hypothetical. Indeed, the contract assumed a deregulated electricity market, which didn’t yet exist in Indiana. Yet without delivering a single watt of power - and having paid cash up front to Lilly, not the other way around - Mr. White’s division immediately booked a multimillion-dollar profit.

Was this legal? There are certain cases in which companies are allowed to use “mark to market” accounting, in which they count chickens before they are hatched - but normally this requires the existence of a market in unhatched eggs, that is, a forward market in which you can buy or sell today the promise to deliver goods at some future date. There were no forward markets in the services Enron promised to provide; extremely optimistic numbers were simply conjured up out of thin air, then reported as if they were real, current earnings. And even if this was somehow legal, it was grossly unethical.

If outsiders had known Enron’s true financial position when Mr. White sent that e-mail, the stock price would have plummeted. By maintaining the illusion of success, insiders like Mr. White were able to sell their stock at good prices to naive victims - people like their own employees, or the Florida state workers whose pension fund invested \$300 million in Enron during the company’s final months. As Fortune’s recent story on corporate scandal put it: “You bought. They sold.”

It was crony capitalism at its worst. What kind of administration would keep Mr. White in office?

A story in last week’s Times may shed light on that question. It concerned another company that sold a division, then declared that its employees had “resigned,” allowing it to confiscate their pensions. Yet this company did exactly the opposite when its former C.E.O. resigned, changing the terms of his contract so that he could claim full retirement benefits; the company took an \$8.5 million charge against earnings to reflect the cost of its parting gift to this one individual. Only the little people get shafted.

The other company is named Halliburton. The object of its generosity was Dick Cheney.⁶

U.S. Secretary of Defence Donald Rumsfeld, who had appointed White as Secretary of Army, eventually requested White to resign, which occurred on April 25, 2003.

⁶ *Cronies in Arms*, by Paul Krugman, New York Times, September 17, 2002.

Bloomberg does not report when White became a director of Incom Roofing Services, nor does it report when the other three directors became so. It does state that the company was founded in 1998, and has a current address in Houston, Texas.

Bloomberg reports that since 2004, Thomas E. White is the principal and partner of **DKRW Energy LLC**. “He served as the 18th Secretary of the Army under President George W. Bush. Mr. White served as Executive Assistant to the Chairman of the Joint Chiefs of Staff. He joined Enron in 1990 and retired from Enron Corp. in April 2001.” He also “served as a Director of **Combustion Systems**, a subsidiary of **Catalytica Inc.** since January 1998. He serves as Member of the Advisory Board of **Safe Renewables Corporation**.”

About a year after White’s unceremonious departure from the White House, he joined DKRW Energy LLC as a director. Bloomberg reports the following about this company:

DKRW Energy LLC develops, constructs, and operates power and infrastructure projects. The company, through its subsidiaries, focuses on the commercial development, construction, ownership, and operation of facilities designed to convert lower-value hydrocarbons into products that have been produced by crude oil. It also engages in the importation of liquefied natural gas to supplement shrinking supplies in the United States; and coal liquefaction to increase the productive use of domestic resources and utilization of wind power generation technologies. The company has a coal-to-liquids facility in Medicine Bow, Wyoming; and an LNG terminal in Sonora, Mexico. DKRW Energy LLC was founded in 2002 and is headquartered in Houston, Texas.

Bloomberg states that it has no information about the company’s board members, only that there are three principals. In addition to White are Jon C. Doyle and Robert C. Kelly. As Bloomberg reports, all three principals were formerly with Enron, and that Kelly also had a career in the U.S. army:

*Mr. Robert C. Kelly, Bob is a Founding Partner and Principal of **Dkrw Energy LLC** and serves as its Executive Officer. Mr. Kelly has more than 25 years of experience in creating renewable energy companies as well as the development, financing, construction and operation of large electric power cogeneration facilities. Prior to co-founding DKRW in 2002, Mr. Kelly served as interim Chief Executive Officer of **EPV**. In January 2002, he co-founded **DKR Development LLC**. From 1985 to 1997, he held senior executive positions at **Enron** including president of **Enron Cogeneration Company** and co-chairman of **Amoco/Enron Solar**. While at Enron, Mr. Kelly formed a number of asset-based businesses in the power sector including **Enron Power Corporation**, **Enron Wind Corp.**, **Amoco/Enron Solar** and **Enron Renewable Energy Corporation**. Mr. Kelly held several senior executive positions with Enron Corp. His previous assignments with Enron included, Executive Vice President and Chief Strategy Officer, Chairman and Chief Executive Officer of Enron Renewable Energy Company, Chairman and Chief Executive Officer of **Enron Europe** and President of **Enron Cogeneration Company**. In 1997, he founded Countrywatch and serves as its Chairman of the Board. He serves as Chairman of DKRW Advanced Fuels, LLC. Mr. Kelly serves as Vice Chairman of **EPV SOLAR, Inc.** He entered the energy industry following a 13-year career in the Army that included service in Vietnam and as a tenured **Professor of Economics at West Point**. During his military service, he was a tenured **Associate Professor of Social Sciences at USMA**.*

Bloomberg reports the following of Jon C. Doyle:

*Mr. Jon C. Doyle Founded DKRW Advanced Fuels, LLC in 2002 and serves as its Chief Executive Officer. Mr. Doyle is a Partner and Principal of **Dkrw Energy Llc**. He co-founded **DKR Development LLC** in January of 2002. He served as President of **IES Communications**, a \$145 million revenue communications contracting company. He served as Chief Operating Officer of DKRW Advanced Fuels, LLC. From 1996 to 2000, he was employed with **Enron Corp.** where he led global renewable energy development. Prior to joining Enron, he set up and managed a China-based chemical manufacturing facility for **NCH Corporation**.*

5-(1e). The Baker Boys, the CFR and Cheney's Secret Energy Task Force

In late 2001, the Council on Foreign Relations (CFR) released a summary page of information regarding the *Independent Task Force on Strategic Energy Policy*. The descriptive states the following: "At the start of President Bush's first term in office, Vice President Dick Cheney chaired a high-level government task force on energy, several months after the Council on Foreign Relations released its independent Task Force report, "Strategic Energy Policy: Challenges for the 21st Century." " In other words, the 150-page April 2001 Task Force report - a sponsored collaboration between the CFR⁷ and the Baker Institute, published five months prior to the 9/11 incident - set the stage for Cheney's secret energy task force meetings. The Baker Institute also published a 12-page report summary (report No. 15) of the Task Force report in April 2001, emphasizing its own interpretation and recommendations on future energy expansion. In September 2001, the Task Force chair and its project director released an Update report, *Update by the Chair and Project Director of an Independent Task Force on Strategic Energy Policy: Challenges for the 21st Century*.

The chair of the Task Force was Edward L. Morse, its project director was Amy Myers Jaffe from the Baker Institute, and the project coordinator was Colonel James E. Sikes Jr. ("U.S. Army and military fellow at the CFR this year"). The report's foreword, co-authored by Edward Djerejian and CFR's president Leslie H. Gelb,⁸



Amy Jaffe has been with the Baker Institute since 1996 and serves as the director of the Energy Forum and the Wallace S. Wilson Fellow in Energy Studies. She served as senior editor and Middle East analyst for the **Petroleum Intelligence Weekly** (1988-1996), the **Dow Jones International** as U.S. Bureau chief (1984-1988), and senior editor with **MidEast Report** (1980-1984).

⁷ The opening disclaimer of the report states (in capitalized font) that the CFR "takes no institutional position on policy issues and has no affiliation with the U.S. Government. All statements of fact and expressions of opinion contained in all its publications are the sole responsibility of the author or authors." Similarly, "the research and views expressed in this paper are those of the Independent Task Force, and do not necessarily represent the views of the James A. Baker III Institute for Public Policy."

⁸ Neither apparently served on the Task Force, their names are not referenced as report contributors, as they, as the captains of each organization, merely gave their blessings.

stated that the Task Force “included experts from every segment of the world of energy - producers, consumers, **environmentalists** (emphasis), national security experts, and others.” In the Acknowledgment section, it states that the Task Force met over a three month period, from December 2000 to February 2001 (December was the new president’s, G.W. Bush’s, transition period),⁹ “in three complicated video conferences and teleconferences from diverse locations and time zones”. Assumedly, the report took about two months to write. It also states that the Task Force “was made possible through the generous support of Khalid Al-Turki, a member of the CFR’s International Advisory Board. We are also grateful for the Arthur Ross Foundation’s¹⁰ support for Task Forces.”

There are no easy Solomonian solutions to energy crises, only hard policy tradeoffs between legitimate and competing interests. Tightening environmental regulations, among other factors, have discouraged the rapid expansion of badly needed energy infrastructure in many U.S. locations.

This Independent Task Force Report outlines some of the hard choices that should be considered and recommends specific policy approaches to secure the energy future of the United States. These choices will affect other U.S. policy objectives: U.S. policy toward the Middle East; U.S. policy toward Russia and the former Soviet Union states and China; the fight against international terrorism; and environmental and international trade policy, including our position on the European Union (EU) energy charter, economic sanctions, North American Free Trade Agreement (NAFTA), and foreign trade credits and aid. The Bush administration is in a unique position to articulate these tradeoffs in a nonpartisan manner and to rally the support of the American public.

More flexible environmental regulation and opening of more federal lands to drilling might slow but cannot stop this process.

The energy problems we face today are complex, and our response to them must range from a review of our domestic environmental, tax, and regulatory structures to a reassessment of the role of energy in American foreign policy. This uncomfortable truth is largely absent in today’s public debate, which is all too often marked by simplistic analysis and debilitating accusation. We need not to apportion blame but to seek workable, integrated solutions that balance energy priorities with economic, environmental, and national security objectives.

⁹ The internet’s Yurica Report, *Fraud Traced to the White House*, by Katherine Yurica, references an October 6, 2002 newspaper article by Neil Mackay in Scotland’s Sunday Herald, wherein Dick Cheney “commissioned an energy report from ex-Secretary of State, James Baker III,” prior to the December 2000 first meeting of the Task Force. Yurica also mentions that the April 2001 Task Force report press release mentioned that it was a 51-member Task Force, yet the report only cites 41. The Task Force report refers to “a group of “reviewers” whose identities were not disclosed, but who collectively had “broad academic, economic, and energy expertise.”

¹⁰ Arthur Ross, who died in 2007 at age 97, was a member of the CFR. He established the Arthur Ross Foundation Inc. in 1955. Wikipedia has a short biography on Ross. He “began his career in 1932 at Sutro Brothers & Company, a Wall Street brokerage firm. He left the company in 1938 and joined Central National Corporation ... an investment banking subsidiary of Gottesman & Company, a privately held company specializing in chemicals and wood pulp. Ross stayed at Central National and rose to become Vice President of the combined company, now called Central National-Gottesman Inc., in 1974.” On November 7, 2002, the World Federation of United Nations Association published a 27-page special edition, “A Tribute to Arthur Ross”.

5-(1e)-1. Task Force Members

At the end of the report was a list of Task Force members and observers. Can you identify the “environmentalists” in this list?

- **ODEH ABURDENE** is managing partner of **Capital Trust S.A.** He was a manager in the international division of the **American Security Bank** in Washington, D.C., and served as a Vice President with the **First National Bank of Chicago**.
- **GRAHAM ALLISON** is Director of the **Belfer Center for Science and International Affairs** at Harvard University’s John F. Kennedy School of Government and Douglas Dillon Professor of Government. In the first term of the Clinton administration, he served as **Assistant Secretary of Defense for Policy and Plans**.
- **JOSEPH C. BELL** is a Partner with **Hogan & Hartson, L.L.P.** He was previously **U.S. Designated Representative for the International Energy Agency**, Dispute Settlement Center; **Assistant General Counsel of International Affairs for the Federal Energy Administration** (1974–77); and the **Cabinet Task Force on Oil Import Controls** (1969).
- **PATRICK CLAWSON** is Director for Research at the **Washington Institute for Near East Policy** and was previously a **Senior Economist at the International Monetary Fund, the World Bank**, and the National Defense University. He has written or edited twelve books about the Middle East.
- **FRANCES D. COOK** heads the **Ballard Group LLC**, a business facilitation service in Washington. She is a **three-time former ambassador**, including twice to energy-exporting countries. She twice served as **Deputy Assistant Secretary of State**, where her specialty was political-military affairs.
- **JACK L. COPELAND** is Chairman of **Copeland Consulting International**, an investment and geopolitical advisory firm.
- **CHARLES B. CURTIS** is Senior Adviser to the **United Nations Foundation** and the President of **NTI**, a newly formed foundation organized to reduce the contemporary threat from weapons of mass destruction. He has previously served as the **Deputy Secretary and the Undersecretary of the U.S. Department of Energy**, the Chairman of the **Federal Energy Regulatory Commission**, and the **Chief Energy Counsel of the U.S. House of Representatives’ Energy and Commerce Committee**.
- **TOBY T. GATI** is Senior International Adviser at **Akin, Gump, Strauss, Hauer & Feld, L.L.P.** She served as **Special Assistant to the President** and **Senior Director for Russia, Ukraine, and the Eurasian States at the National Security Council** in 1993, and then as **Assistant Secretary of State for Intelligence and Research** until May 1997.
- **LUIS GIUSTI** currently serves as Non-Executive Director of “**Shell**” **Transport and Trading**, and as Senior Adviser to the **Center for Strategic and International Studies**. Formerly, he was Chairman and CEO of **Petróleos de Venezuela, S.A.**
- **DAVID L. GOLDWYN** is the principal of **Goldwyn International Strategies, LLC**, an international consulting firm. He served as **Assistant Secretary of Energy for International Affairs** and **Counselor to the Secretary of Energy**, **Senior Adviser to the Permanent Representative to the United Nations**, and **Chief of Staff for the Undersecretary of State for Political Affairs** under President Bill Clinton.
- **MICHEL T. HALBOUTY** is an internationally renowned earth scientist and engineer whose career and accomplishments in the fields of geology and petroleum engineering have earned him the recognition as one of the world’s outstanding geo-scientists.
- **AMY MYERS JAFFE** is the senior energy adviser at the James A. Baker III Institute for Public Policy of Rice University and President of **AMJ Energy Consulting**. Formerly she was the senior economist and Middle East Analyst for **Petroleum Intelligence Weekly**. Jaffe is the author of numerous articles on oil geopolitics, the Middle East, and the Caspian basin region.

- **MELANIE A. KENDERDINE** is the Vice President of the **Gas Technology Institute**. Previously she was **Director of Policy at the Department of Energy, Senior Policy Adviser to the Secretary of Energy for oil and gas, Deputy Assistant Secretary at Department of Energy, and Chief of Staff to Congressman Bill Richardson (D-N.M.)**.
- **JOSEPH P. KENNEDY II** is Chairman and President of **Citizens Energy Corporation**, a non-profit firm he founded in 1979 to provide low-cost heating oil to the poor and the elderly. He left Citizens in 1986 to serve six terms in the **U.S. House of Representatives** and returned to Citizens Energy full-time in 1999 and **serves on the boards of companies in the health care, telecommunications, and energy industries**.
- **MARIE-JOSEE KRAVIS** is an Economist and Senior Fellow at the **Hudson Institute**. She specializes in trade and international finance related issues and serves on the **Secretary of Energy's Advisory Board**. She also sits on the boards of **Ford Motor Company, Vivendi Universal, U.S.A. Networks, Hasbro Inc., Hollinger International, and the CIBC**.
- **KENNETH LAY** is Chairman and CEO of **Enron Corporation**. Lay also was CEO of Enron from 1985 until February 2001.
- **JOHN H. LICHTBLAU** is Chairman and CEO of **Petroleum Industry Research Foundation, Inc. (PIRINC)**. He has been a member of the **National Petroleum Council (Advisory Council to the Secretary of Energy)** since 1968 and is also a member of the **International Associates of Energy Economics**.
- **JOHN A. MANZONI** is Regional President for **British Petroleum** in the eastern United States. Formerly he was Group Vice President for the Refining and Marketing business, and before that he headed up the BP side of the **BP/Amoco merger directorate**.
- **THOMAS F. MCLARTY III** is Vice Chairman of **Kissinger McLarty Associates**, an international strategic advisory firm. He was **President Bill Clinton's first Chief of Staff** and also served as **Counselor to the President and Special Envoy for the Americas**. Prior to joining the Clinton administration, McLarty was Chairman and CEO of **Arkla, Inc.**
- **ERIC D. K. MELBY** is a Senior Fellow with the **Forum for International Policy** and a principal in the **Scowcroft Group**. He handled economic and energy issues on the **National Security Council** staff from 1987–93 and was **Special Assistant to the Executive Director of the International Energy Agency** from 1981–85. He also worked in the **Department of State and Agency for International Development**.
- **SARAH MILLER** is Editorial Vice President and Group Editor of the **Energy Intelligence Group**. She was **European Director of McGraw-Hill News and London bureau chief and energy correspondent for McGraw-Hill World News**.
- **STEVEN L. MILLER** is Chairman of the board of directors, President, and CEO of **Shell Oil Company**. He is a member of the **National Petroleum Council and the Business Roundtable**.
- **ERNEST J. MONIZ** is a Professor of Physics and former Head of the Department of Physics at the **Massachusetts Institute of Technology**. He served as **Associate Director for Science in the Office of Science and Technology Policy in the Executive Office of the President (1995–97)** and as **Undersecretary for Energy, Science, and Environment in the Department of Energy (1997–2001)**. At the Department of Energy, he also served as the **Secretary's Special Negotiator for Russian Programs**.
- **EDWARD L. MORSE** is Executive Advisor at **Hess Energy Trading Co., LLC**. He joined HETCO in April 1999 after more than a decade as **Publisher of Petroleum Intelligence Weekly**. From 1978 to 1981 Morse was at the Department of State, where he served as **Deputy Assistant Secretary for international energy policy**. A frequent commentator on oil market trends, both in writing and for broadcast media, Morse is the author or co-author of four books on politics, finance, energy, and international affairs.
- **SHIRLEY NEFF** is an Economist for the **Democrats on the Senate Energy and Natural Resources Committee**. Prior to joining the committee staff, she was an economist for a state public utility commission and for an oil and gas company and an electricity utility.

- **DAVID O'REILLY** is Chairman of the Board and CEO of **Chevron-Texaco**. Earlier, O'Reilly was one of the company's two Vice Chairmen, responsible for Chevron's worldwide exploration and production and corporate human relations.
- **KENNETH RANDOLPH** is General Counsel and Secretary of **Dynegy, Inc.**, responsible for all of Dynegy's legal and regulatory activities. Prior to joining Dynegy, he served as an energy attorney for the law firm of **Akin, Gump, Strauss, Hauer & Feld** in Washington, D.C.
- **PETER ROSENTHAL** is Chief Correspondent on energy and commodities for **Bridge News**.
- **GARY N. ROSS** is Chief Executive Officer of the **PIRA Energy Group**, a New York-based international energy consultancy retained by some three hundred companies in more than thirty countries.
- **ED ROTHSCILD** is Principal at the consulting firm of **Podesta/Mattoon** in Washington, D.C. Formerly the **Energy Policy Director of Citizen Action** and consumer advocate on energy matters from 1971–97, he is also the author of numerous reports and studies on natural gas and oil pricing issues, competition, and concentration in the petroleum industry.
- **JEFFERSON B. SEABRIGHT** is Vice President of Policy Planning for **Texaco, Inc.** He was formerly the **Executive Director of the White House Task Force on Climate Change**, **Director of the Office of Energy, Environment & Technology**, and **U.S. Agency for International Development**.
- **ADAM SIEMINSKI** is the Director and Global Energy Strategist at **Deutsche Banc Alex. Brown**. From 1988–97, he was a **Senior Equity Analyst for NatWest Securities**, covering the major U.S.-based international oil companies.
- **MATHEW SIMMONS** is President of **Simmons & Company International**, a specialized energy investment bank. He is a Member of the **National Petroleum Council** and **Bush-Cheney Energy Transition Advisory Committee**.
- **RONALD SOLIGO** is a **Professor of Economics at Rice University** with a specialty in development and energy economics. He has authored a number of studies on energy-related topics for the James A. Baker III Institute for Public Policy at Rice University.
- **MICHAEL D. TUSIANI** has been Chairman and CEO of **Poten & Partners** since 1983. Prior to joining Poten in 1973, he was employed by **Zapata Naess Shipping Company**. He has written two books: *The Petroleum Shipping Industry—A Non-Technical Overview* and *The Petroleum Shipping Industry-Operations and Practices*.
- **PHILIP K. VERLEGER JR.** is President of **PK Verleger LLC** and a Principal with the **Brattle Group**. He served as an **energy adviser in the Ford and Carter administrations** and **advised President Ronald Reagan on energy issues**. He is the author of two books and numerous articles on the causes of energy price volatility.
- **ENZO VISCUSI** is Group Senior Vice President and Representative for the **Americas of Eni**, the Italian-based integrated energy company, where he also serves as Chairman of **Agip Petroleum Co., Inc.**
- **CHUCK WATSON** is the Chairman and CEO of **Houston Dynegy Inc.**, a leading provider of energy and communications solutions. He established **NGC Corp**, Dynegy's predecessor, in 1985 and served as President until becoming Chairman and CEO in 1989.
- **WILLIAM H. WHITE** is President of the **Wedge Group Inc.**, a diversified investment firm with subsidiaries in the oil services, engineering, hotel, and real estate business. He is Chairman of the **Houston World Affairs Council** and served as **deputy secretary and CEO of the U.S. Department of Energy** from 1993 to 1995.

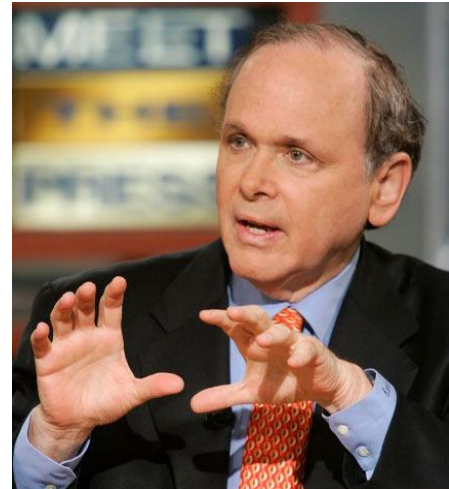
- **DANIEL YERGEN** is Chairman of **Cambridge Energy Research Associates**. He is author of *The Prize*, for which he received the Pulitzer Prize, co-author of *The Commanding Heights*, and recipient of the U.S. Energy Award.
- **MINE YÜCEL** is Senior Economist and Assistant Vice President, **Federal Reserve Bank of Dallas**. He is a member of the **U.S. Association of Energy Economics** and the author of numerous articles on energy and the economy.

TASK FORCE OBSERVERS

- **PAUL W.C. HELLGREN** is Chairman of the Board and Chief Executive Officer of **Ashland, Inc.** He is Director/Trustee at **PNC Financial Services Group, Medtronic, Inc., the University of Kentucky, Center College, and American Petroleum Institute.**
- **RICHARD N. COOPER** is Maurits C. Boas Professor of **International Economics at Harvard University**. He was formerly Chairman of the **National Intelligence Council, Federal Reserve Bank of Boston, and Undersecretary of State for Economic Affairs**. He is the author of *The Economics of Interdependence* and other works.
- **CHARLES DUNCAN JR.** serves on the boards of **Newfield Exploration Company, Inc., and The Welch Foundation**. He is Treasurer and Director of **Methodist Health Care System**, and Chairman of its subsidiary, **Methodist Care, Inc.** He was former Secretary of the Department of Energy from August 1979 until January 1981, and former President of the **Coca-Cola Company**.
- **WILLIAM E. HENDERSON III** is manager, Joint Venture Coordination, **Ashland, Inc.**
- **JUDITH KIPPER** is Director of the **Council on Foreign Relations Middle East Forum** and the Director of the Middle East Studies program at the Center for Strategic and International Studies.
- **ROBERT A. MANNING** is the C.V. Starr Senior Fellow and Director of **Asia Studies at the Council on Foreign Relations**. He is the author of several books, including *The Asian Energy Factor: Myths and Dilemmas of Energy*. From 1989 until 1993, he was a **Policy Adviser to the Assistant Secretary for East Asian and Pacific Affairs at the Department of State**.
- **RICHARD MURPHY** is Hasib J. Sabbagh Senior Fellow for the Middle East at the **Council on Foreign Relations**. He held successive appointments as **Ambassador to Mauritania, Syria, the Philippines, and Saudi Arabia**. He served as **Assistant Secretary of State for Near Eastern and South Asian Affairs**.
- **STEPHEN OXMAN** is a Senior Adviser, **Morgan Stanley Dean Witter**; former **Assistant Secretary of State for European and Canadian Affairs**; and former Partner with **James D. Wolfensohn Incorporated**.
- **MICHAEL L. TELSON** has been **Chief Financial Officer of the U.S. Department of Energy** since October of 1997. He was Senior Analyst of the **Committee on the Budget, U.S. House of Representatives**, served as the Staff Economist of the **House Ad Hoc Committee on Energy**, and on the governing council of the **International Association for Energy Economics (IAEE)**.

There are two members on the Task Force list above with names highlighted in bold red. **Key Lay**, president of Enron, and many on Enron and related executives, were about to face the firing squad for fraud, and, as reported above, some of Enron executives would later hold positions on corporations affiliated with Edward Djerejian. The other, **David Goldwyn**, and some members of his consulting firm, Goldwyn International Strategies, would later occasionally find each other on the same task force, a committee, and at conferences with Djerejian and energy fellows from the Baker Institute. Goldwyn, as detailed in section 8 of this report, would be assigned as the U.S. State Department's, and the petroleum industry's, global unconventional gas salesman in late 2009.

On March 8, 2011, at the **IHS CERA Week** March 7-11 conference in Houston, Djerejian and Goldwyn participated on the same panel called, *The New Geopolitics of the Middle East and North Africa: What Outlook for the Energy Industry?* The panel descriptive, on “How does the unfolding situation in the Middle East and North Africa influence the energy outlook and affect the security of supply for oil and gas in the short and medium term,” was sponsored by ExxonMobil. **IHS Energy** acquired **CERA** (Cambridge Energy Research Associates, co-founded in 1983 by Daniel Yergin and James Rosenfield) in 2004, and in 2009 IHS was renamed as **IHS CERA**. Its website states that it is “a global information company with world-class experts in the pivotal areas shaping today’s business landscape: energy, economics, geopolitical risk, sustainability and supply chain management.” The company conducts annual conferences called IHS CERA Week at the Hilton Americas Hotel in Houston, Texas, which is attended by “some of the company’s largest clients” which include “international energy companies, energy consumers, governments, utilities, technology companies, and financial institutions.”¹¹ The current chairman of IHS CERA is Daniel Yergin, who, as summarized in section 6-1 of this report, a who’s who on the petroleum circuit, was a recent member of the U.S. federal **Shale Gas Production Subcommittee**, which completed its short-term mandate to provide U.S. President Obama with regulatory recommendations on the shale gas industry.



(A younger) Daniel Yergin

5-(1e)-2. Cheney’s Secret Meetings

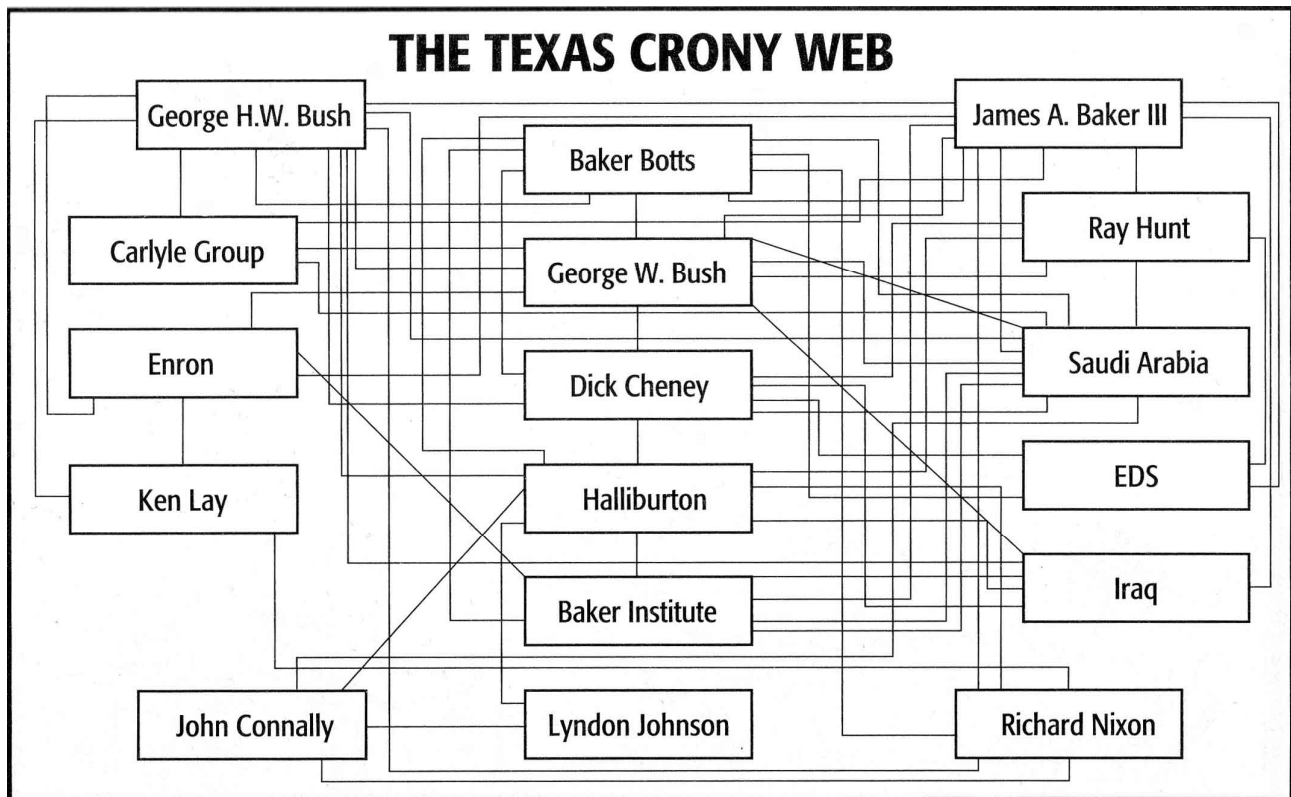
While the CFR- and Baker Institute-delegated Task Force members and observers met, and while its April 2001 final report was being crafted, the Bush administration created its own ‘private’ energy task force on January 29, 2001 chaired by vice president Cheney, the **National Energy Policy Development Group (NEPDG)**. That task force was preceded by the **Bush Transition Energy Advisory Team**. Members of the NEPDG consisted of Secretaries of numerous federal Departments and senior federal government administrators who met until May, 2001. These closed meetings were also held with “petroleum, coal, nuclear, natural gas, and electricity industry representatives and lobbyists.”¹² Many years later, following failed court actions, inquiries, freedom of information requests, and media attention, some information about those secret meetings with private industry eventually came to light.

At 10 a.m. on April 4, 2001, representatives of 13 environmental groups were brought into the Old Executive Office Building for a long-anticipated meeting. Since late January, a task force headed by Vice President Cheney had been busy drawing up a new national energy policy, and the groups were getting their one chance to be heard.

Cheney was not there, but so many environmentalists were in the room that introductions took up “about half the meeting,” recalled Erich Pica of Friends of the Earth. Anna Aurilio of the U.S. Public Interest Group said, “It was clear to us that they were just being nice to us.”

¹¹ Wikipedia, Cambridge Energy Research Associates.

¹² Wikipedia, Energy Task Force.



Robert Bryce's 2004 book, *Cronies*, includes a chart at the beginning, called *The Texas Crony Web*. Though seven years old, the chart demonstrates intriguing linkages with the Baker boys Institute.

A confidential list prepared by the Bush administration shows that Cheney and his aides had already held at least 40 meetings with interest groups, most of them from energy-producing industries. By the time of the meeting with environmental groups, according to a former White House official who provided the list to The Washington Post, the initial draft of the task force was substantially complete and President Bush had been briefed on its progress.

In all, about 300 groups and individuals met with staff members of the energy task force, including a handful who saw Cheney himself, according to the list, which was compiled in the summer of 2001. For six years, those names have been a closely guarded secret, thanks to a fierce legal battle waged by the White House. Some names have leaked out over the years, but most have remained hidden because of a 2004 Supreme Court ruling that agreed that the administration's internal deliberations ought to be shielded from outside scrutiny.

One of the first visitors, on Feb. 14, was James J. Rouse, then vice president of Exxon Mobil and a major donor to the Bush inauguration; a week later, longtime Bush supporter Kenneth L. Lay, then head of Enron Corp., came by for the first of two meetings. On March 5, some of the country's biggest electric utilities, including Duke Energy and Constellation Energy Group, had an audience with the task force staff.

British Petroleum representatives dropped by on March 22, one of about 20 oil and drilling companies to get meetings. The National Mining Association, the Interstate Natural Gas

Association of America and the American Petroleum Institute were among three dozen trade associations that met with Cheney's staff, the document shows.

*The list of participants' names and when they met with administration officials provides a clearer picture of the task force's priorities and bolsters previous reports that the review leaned heavily on oil and gas companies and on trade groups -- many of them big contributors to the Bush campaign and the Republican Party. But while it clears up much of the lingering uncertainty about who was granted access to present energy policy views to Cheney's staff, it does not entirely explain why the Bush administration fought so hard to keep it and other as-yet-unreleased internal memos secret.*¹³

5-(1f). Djerejian: Council on Foreign Relations and Think Tanks

Robert Bryce suggests that one of the benefits of sitting on boards of big oil/gas corporations is that corporation executives could easily brief members such as Djerejian with information about company operations in a given country to help better direct information in reports written by energy policy agencies such as the Baker Institute and by members of the Council of Foreign Relations (CFR). In the context of Bryce's comments from his chapter called *Dreaming War*, in December 2002 Djerejian and Frank Wisner co-authored a report under joint sponsorship by the Baker Institute and the CFR, *Guiding Principles for U.S. Post-Conflict Policy in Iraq*. Bryce reports that Wisner "has long ties to the American intelligence business and to Enron", and that he:

*served as ambassador to Egypt, then to the Phillipines, and then to India. Upon retiring from the ambassador's job in India, Wisner was hired by **Enron Corp.** to help push the company's investment in the Dabhol power plant, the ill-fated project that ended up costing Enron about \$1 billion. Since 1997, Wisner has been on the board of directors of **EOG Resources**, a publicly traded oil and gas company that used to be known as **Enron Oil and Gas**.*

One of the primary corporate benefactors of the Iraqi war was Halliburton, which received a secret and uncompetitive bid contract from the Army Corps of Engineers to help rehabilitate Iraq, a contract "which had a potential value of \$7 billion." The Council of Foreign Relations (CFR)'s Fellow and former National Security Aide Eric Schwartz directed the CFR-sponsored Independent Task Force on post-war Iraq. One of the Task Force's 23 members was Djerejian, and one of the 17 Task Force Observers was David Goldwyn.¹⁴

Richard Morningstar (see section 8), James Baker III, and Edward Djerejian shared something in common: they all sat on the Eurasia Foundation.¹⁵ The Foundation was formed in 1992 (with a central office in Washington, D.C.) shortly after the collapse of the Berlin Wall and the Cold War, and became a reform conduit for private enterprise development and 'democratic' institutions in the **Newly Independent States** of the former Soviet Union: Afghanistan,¹⁶ Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic (Kyrgyzstan), Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. Most of the funding provided since 1993 for these

¹³ *Papers Detail Industry's Role in Cheney's Energy Report*, Washington Post, July 18, 2007.

¹⁴ *U.S. Should Provide Iraqis and Americans with a More Coherent and Compelling Vision for Iraq's Political Future*, June 25, 2005, Council on Foreign Relations.

¹⁵ Both Djerejian and Morningstar sat on the Board of Trustees, and Baker III is one of four Advisory Council chairs.

¹⁶ Afghanistan is no longer on the "country" list of the new Foundations network.

programs have come from the *United States Agency for International Development*, and about 20 percent of that funding originates from foundations, corporations, foreign governments and individuals. Since 2004, the Foundation morphed into a network of five new creatures: the Eurasia Partnership Foundation (2007); the New Eurasia Foundation (2004); the Eurasia Foundation of Central Asia (2005); the East Europe Foundation of the Ukraine (2007); and the East Europe Foundation of Moldova (2010).

One of the main drivers behind the U.S.-led Eurasia Foundation are petroleum interests. For instance, in the complex maze of players involved in the Foundations and in the formation of international U.S. Business Councils since the 1990s, currently Jan Kalicki is chair of the parent Eurasia Foundation. Kalicki's biography on the Foundation's website states that he is Chevron Corporation's counselor for international strategy, and also is the senior scholar at the Woodrow Wilson International Center where Global Shale Gas Initiative David Goldwyn gave his swan song in January 2011,¹⁷ the Centre which started the *European Energy Security Initiative* in February 2011.

The U.S.-based Eurasia Foundation has had many member diplomats from the CFR and members from an assortment of political policy think tanks. With regard to the objectives of the U.S. as capitalism empire, it's how privateering enterprise webs are routinely and methodically facilitated. In the 2006 CFR *Annotated Membership Roster*, which included summary information on members affiliations and employment: 25 members were affiliated with the Woodrow Wilson School at Princeton as mostly professors, a few directors, and the School's Dean; and 15 members were with the Brookings Institute, on which Djerejian sits as a member of the Institute's International Advisory Council, alongside Madeleine Albright, former U.S. Secretary of State. Albright is also a member of the Eurasia Foundation's Advisory Council, which also includes member Frack C. Carlucci (former chairman of the Carlyle Group, former U.S. Secretary of Defense, former Ambassador to Portugal, former deputy director of the CIA), and Frank Ingriselli (former senior management positions in Texaco, and president and ceo of Houston Texas-based Timan Pechora Company which is owned by Texaco, Exxon, Amoco and Norsk Hydro).

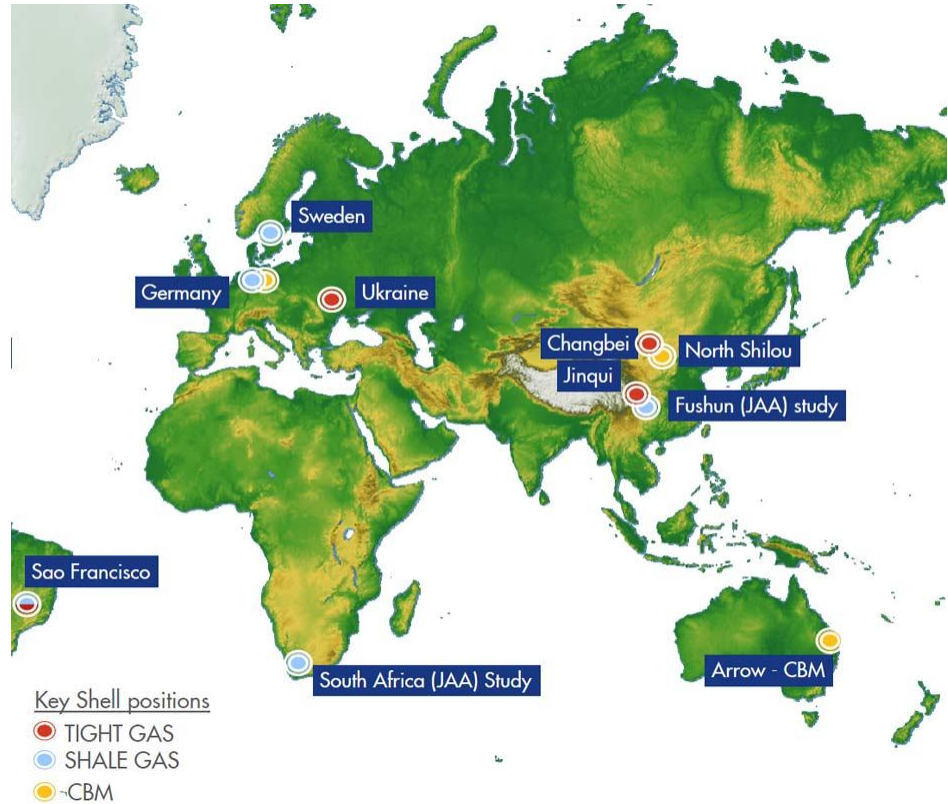
Djerejian was nominated to the board of the **Carnegie Corporation**. The website's history section states that Carnegie made "large grants" to the National Academy of Sciences/National Research Council, the National Bureau of Economic Research, the Food Research Institute at Stanford University, and the Brookings Institution.

Djerejian has also been on the advisory board with **The Transatlantic Forum**, a U.S.-Germany young professional leadership forum created in 1995. The Forum's goal is to "build networks and personal contacts between the participants, thus strengthening and improving the German-American relationship on the "micro level". " The American half of advisory board members included Richard Holbrooke, Henry Kissinger, Senator Joseph Lieberman, Senator John McCain, and Condoleezza Rice.

¹⁷ See section 8-4 of this report.

6. ROYAL DUTCH SHELL FRACKS SWEDEN FIRST *BUT* SUFFERS SHELL SHOCK - SWEDES KICK SHELL'S ASS OUT OF SWEDEN

Segment of Shell's "Global Gas Resources" map from its August 29, 2010 *North America Tight Gas Update* powerpoint. It shows Shell's former three category unconventional interests in South America, Europe, South Africa, Australia, and in southeast Asia. It has many other interests in North America.



About a year after Royal Dutch Shell lost a securities fraud claim lawsuit by 50 institutional investors on Shell overstating its oil reserves, having to pay out some \$700 million, it obtained two exploration licenses in southern Sweden in May, 2008,

over some 256,000 hectares. The two geological areas, Colonussankan and Hollvikengraven, are in the southern half of Sweden's southern-most county of Skania, one of Sweden's 25 provinces or counties. Shell obtained another license in May 2009, over about 1,000 hectares of land.

Skania, with a mix of gentle undulating and flat landscapes, is about 11,000 square kilometres in area, and has a population of about 1,230,000, the "second most densely populated province of Sweden."¹ Skania has 33 governmental municipalities, further subdivided into a host of parishes. Sweden joined the European Union in 1995, and is the third largest country in the EU, with a total population of about 9.5 million.



¹ Wikipedia, Scania.



The map below indicates the extent of Shell's shale gas licenses in Skania. The red banner inserted within that map is the logo from the citizens group in Skania with its website, heavenorshell.se.

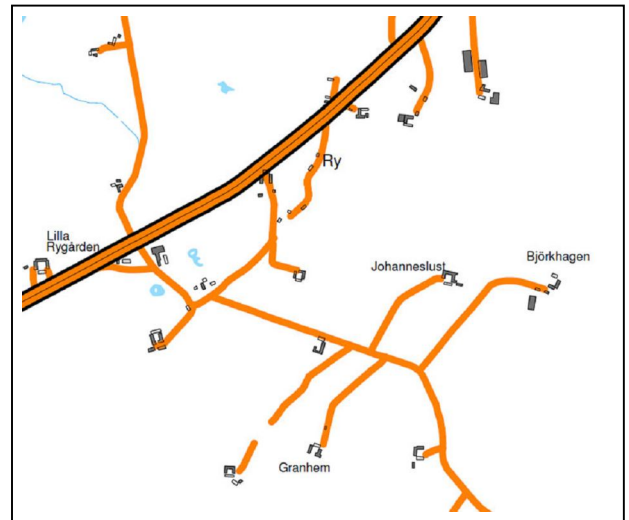




It was not very long into the game that two small communities got up in arms, so to speak, against Shell's proposal to drill and frack in their country neighbourhoods. Along with other community sites where more drilling was to occur, the communities quickly formed a coalition and produced the website, HeavenorsHell, to provide publicity and a forum for sharing and posting information.

The small community of Ry, is just east of Lovestad, a 'locality' (Tatort) of the Sjöbo Municipality. According to an April 19, 2010 article in Sweden's *The Local*, *Court clears Shell for Sweden gas drilling*, some 15 neighbours around Ry took Shell to court in late 2009 after a Skania County Board decision in November 2009 ruled in favour of Shell's frack proposal.

The drilling site in Ry is about 350 metres distant from the nearest home, and is located near an abandoned farm house (according to a May 28, 2009 article). Shell's Swedish communication officer Henry Carlsson said the fracking site



would only slightly interfere with the community. In early June, 2009, Shell refused to disclose its payment agreement price with the landowner, and initially did not want to conduct public meetings.



The left bottom photo inset is of Lotta Nordstedt (to the right) and Monique Conradsen who live near to the drill site. They had moved from Copenhagen to live in the tranquil countryside. Lotta just got married in the garden area of their home. By July 1, 2009, in the early stage of community resistance, over 300 people already signed a petition opposed to the drilling, who launched an appeal in the Supreme court.

In the photo to the middle right, about 70 people showed up outside of a farm near Ry on September 2, 2009, where Shell's Henry Carlsson prevented the crowd from entering a private meeting with "specially invited neighbours". Shell had brought along geology professor Kent Larsson of Lund University to explain things. The confrontation had been organized by Lotta Nordstedt, because she wanted Shell to have a meeting opened to all interested parties. The crowd knew that the operation was a foreshadowing of things to come. Right, drilling on the Ry frack pad in late January, 2010.





On the HeavenorShell website, under 'Sjober', is the above photo of the residents near the hamlet of Lovestad. In a rough translation from Swedish of a testimonial from Lotta Nordstedt in early 2010, who lived next door to the fracking pad:

We have done everything in our power to demonstrate to the authorities and the municipality of the hazardous environmental activities related to Shell's drilling. Our court appeal is in the Environmental Court of Vaxjo, and we are awaiting the final decision. We have an enormous responsibility as the first drilling site parties to continue with the appeal. Skania awaits a dismal future with Shell setting up shop. For those of us who have lived near Shell's drilling site we have first hand experience about this reality. Shell promised it would take only six weeks. We have lived in an industrial zone since October 17 and Shell is not expected to be finished until mid-February - FOUR months! How could the company get it so wrong? Blazing bright lights at night and loud pulsating noise. I never thought this could happen in Sweden.... Sweden's mining laws have granted the mining developer with the best hand in the big card game.

About two months before Shell beat the citizens' court appeal, the petroleum industry was heralding Shell's triumph in early February, 2010 on completing its drilling in the country community of Ry.

Henry Carlsson, spokesman for Shell Sweden commented that the company was in the process of drilling the first well and expected to finish this month. Three additional wells are planned to be drilled by the end of March. "It's a promising area," said Carlsson. "There could be enough gas to cover Sweden's gas needs for at least 10 years." Full-scale

production could happen in five to 10 years, he said. (Shell seeks shale Gas in Sweden, January 15, 2010)

The January 15th article also included the views of the locals.

“We are concerned about the impact on the ground water,” said Goeran Gustafson, a physics and maths teacher active in a green group which seeks to stop the project. “When hydraulic drilling breaks off rocks, heavy metals and other dangerous substances may contaminate it,” he told Reuters. The group says it has collected names of about 6,000 people who oppose drilling activities but a legal action to stop the drilling failed last year, paving the way for Shell to conduct its exploratory wells programme.



South of the Municipality district of Horby, is another rural agricultural village of Oderup, located just east of the larger village of Ostraby.





In a December 14, 2007 article, *Shell wants to drill for gas in Skane*, Shell Sweden's media relations point man Martin von Arronet (left) stated that the deep shale drilling would be **similar to the method use for geothermal drilling**. The article also states that as soon as Swedish Liberal Party

Parliamentarians Ulf Nilsson and Tina Acketoft got a whiff of Shell's monstrous proposal they voiced concerns. Ceo of Shell Sweden's Carl Georgsson (right) presented Shell's opening informational meeting on December 17, 2007 at Malmo's Stock Exchange building, announcing that five days previous it applied for a deep shale exploration license permit with the Swedish government over an area covering 22 of Skania's 33 municipalities. At the meeting Helen Rosengren, whose responsibility covers land ownership and environmental issues within Skania, stated that Shell's proposal would create future conflicts. Rosengren's warnings and concerns grew in later news articles, such as one on May 29, 2008, when she stated that Shell's permit with Swedish authorities should not be granted, because, in her estimate, among other related concerns, Sweden's mining laws were far too weak.



After much ruckus from the locals, Shell got its exploration permit in late May, 2008. At the end of June, a student at Lund University, an individual in Osterlen, and a lawyer representing landowners (House Owners Association, or Villagarnas Riksforbund) launched a court action on two themes: to revoke Shell's permit, and the other to defer it. The County Court in Dalarna finally rejected the court action in mid-January, 2009.



In November 2008, prior to determining the well frack location in Oderup, Shell undertook seismic surveys on roads located between Ostraby and Langarod, some ten kilometres in distance between the two villages. Anita Hill, who has a property in Bragahult, was disturbed by the vibrations or shockwaves emanating from the seismic tests which were also being conducted on her field. She started to ask questions. She was unable to get a reply from the municipality of Horby, because the map she obtained from the Ministry of Mines indicated that Shell did not have a permit to operate in her area. She then filed a complaint with the police, after learning that it was illegal for Shell to do seismic testing in her area without a permit.

An article published on February 3, 2009, *Adventurers fighting against Shell's gas plans*, featured Sweden world adventurer Arnold Wernersson, who said that he and others in the municipality of Horby would do everything they could to stop Shell's drilling program. Arnold explained that he was not initially opposed to Shell's proposals, but his wife's good friend Anita Ullmann, involved in writing community newsletters about the drilling and posting reports on the HeavenorShell website, informed him about what was at stake: toxic chemicals, groundwater contamination, large amounts of water need to frack, etc. Wernersson soon became an organized resister. The article stated that the majority of landowners in Wernersson's district were already opposed to the drilling.



In another article published the same day, Shell's public communications man Henry Carlsson stated that the drilling would not create a risk to groundwater.



When Shell starting drilling in the hamlet of Oderup, sources state that the location was about 700 metres away from the municipal water source. Kicki Myrberg, who lives some 400 metres away from the drilling site, was deeply concerned about the drinking water, and raised the issue before the Horby Municipal Environment Committee.

Described in a September 10, 2009 news article, *Neighbours want to talk to the Municipality*, given the worst case scenario - if the groundwater became contaminated - a new water connection would have to be built, and would cost taxpayers about 65 million kroner.



With all of the mounting opposition leading into Shell's exploration drilling program in Oderup, the residents were organized, gripped together in the David versus Goliath thing.

On the HeavenorsHell website section for Horby, Kicki Myrberg wrote a short testimonial dated February 2011. Here's the rough translation (based on Google Translate - hope it's reasonably accurate):

When a man from Shell came and stood on my porch in the midsummer morning of 2009 during coffee I was unprepared and startled by what he was about to say. "We are going to drill for natural gas over there," he said, pointing south of my house. "We'll sample water from your well and we will photograph your buildings before and after the drilling."



I told my neighbours that I was unable to ask any questions. It all seemed so strange.

Afterwards, Shell organized a so-called information meeting. "Just going to put soap and starch down those well holes, nothing to worry about." As if we were a bunch of idiots. This happened before we got educated about other people's experiences as reported on the world-wide web.

A few days later I bumped into some of my neighbours on the road - we had lots of questions and were sceptical. Is this the way it was going to unfold? Did we have any rights? Who could we turn to? We decided to have a meeting. That's when we began our journey, which has continued until this very day.

18 meetings, 156 appeals, and thousands of hours on the internet and on the telephone. Our experience is that the rules that apply to us individual landowners is different than the standing of a company like Shell. Our municipal administrators told us that they did not have the expertise of resources to deal with this kind of thing. How does one determine an environmental code for Shell which is supposedly to be self-restrained (the paper trail ends up in the environment agencies desks, and no one has the resources to scrutinize the documents).

Our big problem is that some village administrators are allowed to make decisions without a politically appointed body or for anyone to properly intervene.

We are now awaiting an announcement from Shell. We now feel better equipped and well-informed, but we now worry more than ever.

We want to continue living here on this part of our earth and so that our children can grow up here as well. Nothing more. It's our responsibility, which we owe to our ancestors and to the generations to come.



As reported in a news article on September 8, 2009, *Stormy meeting on gas projects in Oderup*, Shell's community meeting at the Ostraby Inn was packed to the hilt and lasted some three and half hours. Henry Carlsson (in the photo to the right with the belly and short-sleeve shirt) was once again on the company's front line, and got an ear full. Community members from Ry, Oderup, and Hede Berga were there in force. The meeting, like the one in Ry, was for invited guests only. However, the invited neighbours threatened to boycott the meeting if Shell failed to allow the other guests entry. After a short period

of shouting and hurras, Carlsson invited everyone inside. People continued to ask why everyone in the area wasn't invited to the meeting. The article said that participants "raised the question of liability." Shell's media relations Martin Von Arronet replied that Shell has insurance for its business, if anything should go wrong. The Reverend Eva-Karin Lindgren received thunderous applause after commenting that Shell's interests seemed to be taking precedence over the community's interests.

(Photo to right: lots of meetings, discussions, thinking, and planning go on in community households.)



When Horby Municipality's Environmental Committee decided in a 25 to 4 vote on September 24, 2009 to ban drilling on the Oderup property, Shell was off to appeal its decision before Skania's County court in early November 2009. Shell was out to argue that the delays were costing the company big bucks, but top environmental spokespeople were arguing the opposite in court, that Shell's costs were irrelevant and subservient when compared to the environment and the public's health. Shell would win its appeal. As Carlsson would later comment in a March 8, 2010 article, *New setback for Shell's opponents*, the County Board's decision in favour of Shell "meant that this (drilling/fracking) does not pose risks to the environment and human health."



By February, 2010, Count Carl Piper (photo, left), a member of the anti-drilling coalition, hired a public relations company, Henrik Westander, to generate debate at the national level to bring about change to Sweden's Mining Act. The problem, recounted in a February 17, 2010 news article, relates to switching decisions from the top down, to deciding them at the municipal and county levels.

By May 2010, Shell began drilling at a second site, with the third site expected to begin sometime in September. However, the multinational was drilling under a growing cloud of public opposition. In a May 21, 2010 Reuters news piece, *Swedish election may impact Shell's hunt for Shale Gas*, it reported:

The centre-left opposition says it will stop Shell's hunt if it wins elections on September 19.... The opposition Social Democrats, together with their allies the Greens and the Left Party, were given 49.3 percent of votes, versus the four-party ruling coalition's 46.2 percent, in a SIFO poll published by the national daily Svenska Dagbladet on Sunday. "We have already made clear that a red-green government will not engage in large-scale fossil fuel extraction in Sweden," wrote the spokesmen for the three opposition parties in a column in the regional daily Sydsvenskan in April. This position also includes Shell's planned production of natural gas in southern Sweden.



Villagers from the community of Oderup, near the municipality of Horby, “show their disgust over Shell’s” drilling activity on April 24, 2010. (Photo and caption from HeavenorShell)

6-(1). Shell Launches into Public Relations Mode

A National Geographic initiative
in partnership with 

In May, 2010 when Shell began its second drilling operation near Oderup, it had made a significant \$3 billion-plus acquisition in the Marcellus shales in northeastern United States. The new deal was broadcast in all the petroleum industry headlines throughout the world, even as public opposition was mounting in the Marcellus. Shell already had an idea alongside separate and coalition public relations initiatives by other petroleum corporations. After all, Shell was still smarting from the persistent passionate opposition from villagers and ‘lefties’ in Sweden. Shell was marching forward, with others, into South America, South Africa, Australia, and Southeast Asia. It could somehow better advertise itself as a responsible corporation, and perhaps preach the fracking gospel to the world, by creating a partnership program with the National Geographic Society (NGS) magazine.

According to a website group called *Society Matters*, “a running commentary and critique of the National Geographic Society’s broken business model,” Shell and NGS began their new partnership sometime in May, 2010.²

Coincidentally, one of Royal Dutch Shells directors, Charles O. Holliday, is also a director of the National Geographic Education Foundation. Here is one of numerous versions of his biography, this one posted on the United Nations Global Compact website:

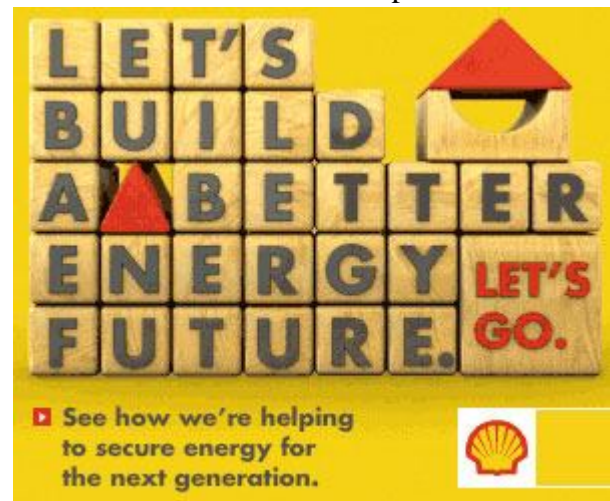
² Alan Mairson, May 23, 2010, *Caring about the Planet - and Our Brand*.

*Mr. Holliday became Chairman of the Board of **Bank of America Corporation** in April 2010. Former Chairman of the Board and Chief Executive Officer of **DuPont**, 1998-2008. Under his direction, DuPont established its mission to achieve sustainable growth: increasing shareholder and societal value while decreasing the company's environmental footprint. Member of the **National Academy of Engineering** and the **American Academy of Arts and Sciences**. Serves on the Board of Directors of **Deere & Co**, **Royal Dutch Shell**, **CH2MHill**, the **Climate Works Foundation**, the **Nicholas Institute for Environmental Policy Solutions at Duke University**, the **National Geographic Education Foundation**. Past Chair of the Board of **The Business Council**, **Catalyst**, the **Council on Competitiveness**, and the **World Business Council for Sustainable Development**.*



In a National Geographic October 28, 2010 press release, *Marcellus Shale Natural Gas Drilling Stirs Hope, Fear in Pennsylvania*, it summarized that its feature report, *The Great Shale Gas Rush*, “is the first comprehensive report by a national media outlet” on fracking in the United States. At the end of the news release was information that National Geographic was beginning a three-year project called the Great Energy Challenge, a project sponsored by Royal Dutch Shell. It also stated that “National Geographic maintains autonomy over this initiative and all content published.”

Not everyone employed at the National Geographic was confident about this “autonomy.” Robert Stone, for example, an independent film maker, working on a film related to the *Great Energy Challenge* project. In a December 18, 2010 blog by “atomic energy activist” Rod Adams, *Robert Stone's Last Contribution to National Geographic's Great Energy Challenge - Sponsored by Shell Oil Company*, Adams includes a quote from Robert Stone's last entry of December 17, 2010 on National Geographic's Energy Blog:³



For whatever it's worth, this is my last blog for The Great Energy Challenge. I quit because I don't want to be a party to Shell's propaganda campaign to endear itself to the

³ The George Washington University School of Media and Public Affairs' news release of November 11, 2010, *The Energy Blog, Powered by Planet Forward, Launches on NationalGeographic.com*. “The blog seeks to present a diverse range of voices to the discussion on shrinking energy resources and climate instability, as part of the National Geographic's Great Energy Challenge initiative. ... insights from insiders, - academics, advocates, industry leaders and advisers - who are deeply engaged in the world's shared energy and climate challenges.” The initial bloggers' names were: Bill Chameides, Robert Stone, “Raymond Orbach, Charlie Cooke, Charles Groat and Dale E. Klein, all of the Energy Institute at the University of Texas, Austin,” Timothy F. Sutherland, Scott Bittle & Jean Johson, James Barrett, Phaedra Ellis-Lamkins, Martin Chavez, Gregory Kallenburg, John R. Hickox, and David Rain.

environmental community. I have no gripe against corporate sponsorship. It's a vital necessity that as a filmmaker I fully understand and appreciate. But the nature of this particular corporate relationship crosses a very important line that I feel I'm tacitly endorsing through my participation as a blogger. It's a ridiculously small gesture to quit, but I hope that my doing so will cause others to look more closely at this critically important component of our "great energy challenge": the influence of the corporate power in defining the terms of the debate.

Adams includes information about the raw essence of Royal Dutch Shell:

Shell is the primary financial sponsor for the effort. According to its global home (website) page, Royal Dutch Shell, PLC is "a global group of energy and petrochemicals companies with around 102,000 employees in more than 100 countries and territories." Its annual revenue from that business in 2009 was \$278 billion, down from \$458 billion in 2008, when oil and gas prices were considerably higher. It is a company that has demonstrated by its actions that has little to no interest in finding a way to break our fossil fuel addiction.

Adams ends his blog with the following: "P. S. If you are like Robert and decide that you can no longer participate in a discussion about our energy future that is sponsored by Royal Dutch Shell, you can always join the discussion at **"Will You Join Us?"** That one is sponsored by Chevron."

As the months passed, National Geographic would publish a special feature piece in February 2011, *New Brunswick Seeks Natural Gas, and a Safer Way - Joint industry-environmentalist model approach among those weighed in Canada*. Marianne Lavelle with National Geographic News wrote a short backgrounder about the article on February 24, 2011.

*One company with a large stake in New Brunswick, **SWN Resources Canada**, has entered into a unique collaboration with environmentalists. Its parent company, **Southwestern Energy** of Houston, has been working with the **Environmental Defense Fund (EDF)** on a set of model standards for safe drilling that they have suggested be considered here. Provincial officials are weighing that idea along with others, while embarking on a fact-finding tour of shale gas hotbeds from the southern United States to northern British Columbia—all to decide whether they can promote a new energy business while protecting their landscape.*

The article is referring to EDF's senior policy advisor, Scott Anderson (left, in photo), and to Mark Boling, the executive vice president of Southwestern Energy. Scott Anderson's boss, EDF president Fred Krupp, is presently sitting on a federal government **Shale Gas Production Subcommittee**, which published a first phase interim report on August 18, 2011, and the final report on November 18, 2011. At the end of March, 2011, U.S. President Obama instructed Energy Secretary Steven Chu to have the Secretary of Energy Advisory Board form a subcommittee to propose recommendations for "the safety and environmental performance of shale gas



production.” Along with Krupp on the subcommittee are: John Deutch,⁴ Stephen Holditch, Kathleen McGinty, Susan Tierney, Daniel Yergin,⁵ and Mark Zoback.

Photo: Fred Krupp is in the center, with the microphone. Charles Holliday, to the left (Krupp’s right), and David Crane, president and ceo of **NRG Energy Inc.** The photo was taken during a press conference with 18 ceo’s, as part of the U.S. Climate Action Partnership and the release of a consensus report, *The Blueprint for Legislative Action*.



The intense forays by energy corporations out to frack North America also involved cozying up to some of the top national environmental organizations. The Wall Street Journal reported on December 22, 2009, *Sierra Club’s Pro-Gas Dilemma*, that “Carl Pope, the Sierra Club’s executive director, has traveled the country promoting natural gas’s environmental benefits, sometimes alongside Aubrey McClendon, chief executive of Chesapeake Energy Corp., one of the biggest U.S. gas companies by production.” It also reported that two other national groups, the Environmental Defense Fund and the Natural Resources Defense Council “have backed natural gas as a so-called bridge fuel that can help the country move away from coal and oil.” Following the story in the Wall Street Journal, numerous grass-roots organizations severely criticized the national group spokesmen for ‘bridging’ with the companies.

“It makes us look like the extremists that the industry wants to call us anyway,” said Beth Little, a board member of the Sierra Club’s West Virginia Chapter, which is more skeptical about drilling than the national organization.

The rift in the Sierra Club, one of the country’s oldest and most prominent conservation groups, highlights deep divisions in the broader environmental community over natural gas. And pressure from local activists is forcing some major environmental groups to revisit their positions on drilling.

The industry has made the environmental benefits of gas a centerpiece of an \$80 million lobbying effort that aims to promote increased use of gas to generate electricity and fuel cars and trucks. Burning natural gas releases about half as much carbon dioxide as burning coal to produce the same amount of energy and also emits far fewer smog-causing gases such as nitrogen oxide.

⁴ Among other things, Deutch was a former **director of the CIA** (Central Intelligence Agency), a director of **Raytheon**, a director of **Cheniere Energy**, a former director of **Schlumberger**, **Citigroup**, and **Cummins Energy Company**.

⁵ As Bloomberg reports, Yergin is influential in the energy business complex and associated with major think tanks, and in the World Affairs Councils of America’s top 500 ranking of most influential people in America in foreign policy. He is: an advisor of **Accelergy Corporation**; senior advisor of **Energy Capital Partners**; senior advisor and consultant at Riverstone Holdings LLC; **former chair of the U.S. Energy Task Force on Strategic Energy Research and Development**; director of the **New America Foundation**; trustee of the **Brookings Institution**; member of the **National Petroleum Council**; director of the **US-Russian Business Council**; director of the **Atlantic Partnership**; member of the **Singapore International Advisory Panel on Energy**; member of the **Russian Academy of Oil and Gas**; board member of the **U.S. Energy Association**; a member of the **Council of Foreign Relations’ committee on studies**.

6-(2). Shell says Sayonara Sweden - Hello China, Hello Ukraine

In late March, 2011, Shell Sweden's information officer Henry Carlsson announced that the parent company Royal Dutch Shell headquarters in Holland decided that its Sweden wing would not apply to have its exploration permit renewed in May 2011. As this announcement was made, residents in South Africa, concerned about Shell's, and other corporation's, intentions to set up the frack shop in their homeland, were speaking out like Skania residents had.

President of the community network *HeavenorsHell*, Carl Piper, stated that he was relieved and happy about Shell's decision, and provided a cautionary note. He said the battle was not over, as other companies would undoubtedly follow in Shell's footsteps. In Heaven or Shell's news release of March 25, 2011, Pope said that people in Skania would continue their struggle to amend and democratize Sweden's Mining Act in order to re-delegate decision-making powers to local government structures.



Photo from HeavenorShell's website of Skania's rapefield flowers.

Shell stated that its reason for pulling out of Sweden was because of poor test results from its few exploratory drilling sites, and that it was moving into China to frack there where it formed a partnership with **China National Petroleum Corp.** The global petroleum news networks that broadcast Shell's reason for pulling out of Sweden due to poor test results overlooked investigating and reporting on the real reason for the multinational's retreat: organized public opposition. The stakes were getting higher in Europe: resident resistance in France, in the United Kingdom, in the Netherlands, in Germany, and, of course a short distance across the Baltic in Poland, the bottom and main crescent arch of Sweden's geological sedimentary fault zone. As will be described in another section of this report, Poland has become the critical portal for the petroleum industry in Europe.

In early September, 2011, news surfaced that Shell just won the first shale gas contract in the Ukraine in the **Dnieper-Donets** shale basin.

Following Shell's reason for pulling out of Sweden due to discouraging shale gas results, in mid-July 2011 news reports surfaced in the petroleum news networks that **Gripen Gas**, an independent Swedish gas exploration company, had been awarded five exploration licenses in the County of Kalmar.

7. D-Day Poland: The April 8, 2010 Warsaw Conference

It's always important to understand and root out political agendas, how things are planned for key catalytic moments, particularly in the now problematic complex public relations strategies by influential petroleum corporations to establish the adoption and development of unconventional shale energy sources in Europe and elsewhere.

One of these moments in recent history appears to have taken place at the Warsaw University of Technology on April 8, 2010, three months before service industry giant Halliburton gave Poland its very first unconventional deep shale frack job. The one-day conference was called *Energy Security and the Role of Shale Gas: American Experience and Polish Prospects*. Everything else that followed in Poland was built upon and shaped by that event, rippling outwards into the European Union, the bugle call for the fracking troops and the legion of investors to advance, or, the first hammer stroke to begin cracking the wall of the EU unconventional energy policy fortress.

An example, among many, of this ripple effect - the June 2010 Centre for European Studies think tank policy brief, *Shale Fever: Replicating the US Gas revolution in the EU?*:

This so-called 'quiet revolution', a term coined by BP Chief Executive Tony Hayward, is getting louder. Shale fever is now spreading beyond the borders of the United States, entering national discourses in the European Union where it is seen to provide energy independence and jobs, as well as cheaper and environmentally-friendly fuel.



This is particularly the case in Poland, where a veritable land grab is underway for some of the finest shale acreage. Poland has also been one of the first members states to call on the EU to increase its focus on shale gas, with Foreign Minister Radoslaw Sikorski stating that it should be at the heart of the EU debate on energy security.

This CEPS Policy Brief hopes to provide a balanced and concise overview of the development of and concerns surrounding shale gas in the United States, and to explore the extent to which this success story could be replicated in the European Union.

Speakers lined up for the Warsaw conference included:

U.S. Poland Ambassador **Lee A. Feinstein**;

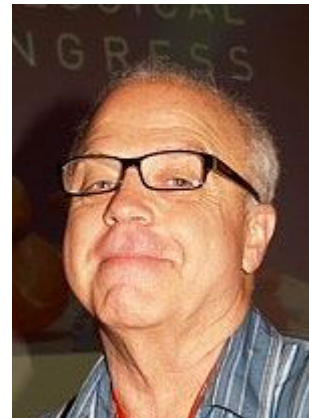


U.S. Ambassador Richard Morningstar (special envoy for Eurasian energy);

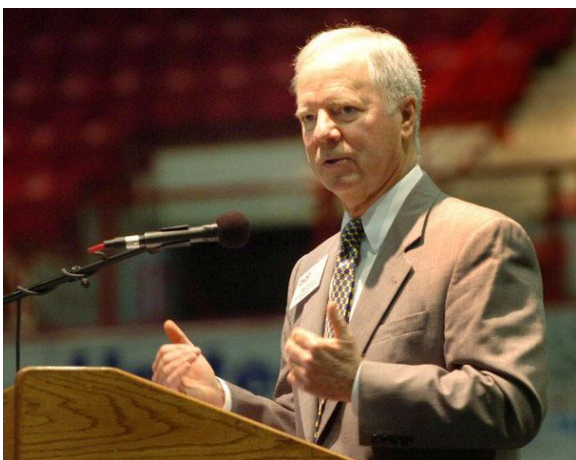


Douglas Hengel (U.S. Deputy Assistant Secretary of State for Energy, Sanctions and Commodities);

Don Gautier (World Petroleum Chief, U.S. Geological Survey);



Sally Kornfeld (team leader, Office of Fossil Fuels, U.S. Department of Energy);

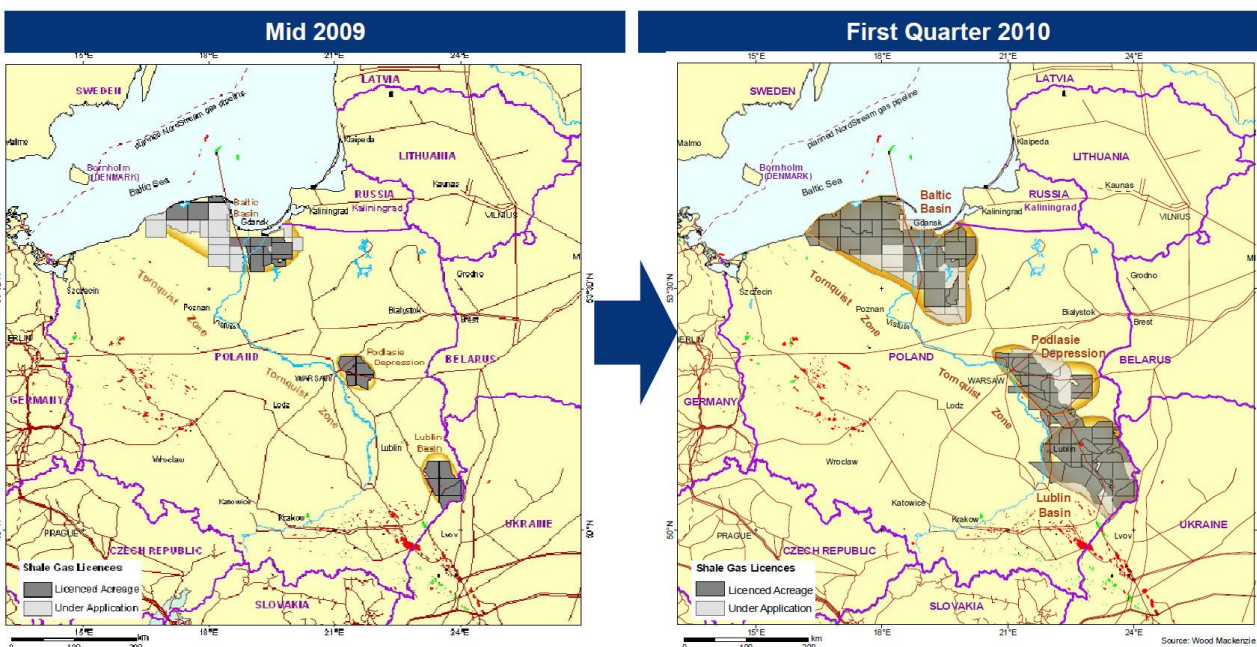


Mike Smith (Executive Director, U.S. Interstate Oil and Gas Compact Commission);



and **Fabrizio Barboso** (Assistant Deputy Director General for Energy, Directorate General for Energy, European Commission).

Other speakers from the petroleum industry and a petroleum investment marketing firm included **Annell Bay** (senior vice president, worldwide exploration, **Marathon Oil Corporation**), **Chris Hopkins** (vice president for unconventional resources, **Schlumberger**), **Lynn Strickland** (manager global new ventures, **ConocoPhillips**), **Mike Eberhard** (manager for production and enhancement, **Halliburton**), and **Rhodri Thomas** (Europe & Sub Saharan Africa Upstream Research Manager, **Wood Mackenzie**).



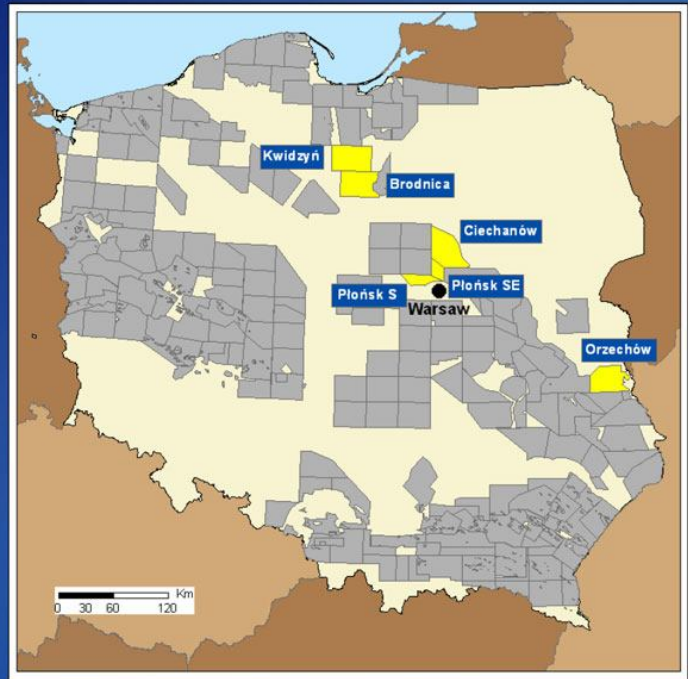
In Rhodri Thomas’s power point presentation, *Polish shale gas - large potential but big challenges*, was a slide showing the contrast in the shale gas licensing race from mid-2009 to the end of March, 2010. Thomas “project managed a global multi-client study on hydrocarbons in 2006/7 and subsequently launched a new research product on unconventional gas” (conference biography).

Poland Unconventional

Early Entry into Potential Shale Gas Play



- ♦ **Shale gas potential**
 - Lower Paleozoic shales
 - 30 - 200 meters thick
 - 2000 - 4500 meters drill depth
- ♦ **Total 5,083 square km**
 - 6 concessions
 - 100% interest
 - 2D Seismic & 1 well commitment per block in exploration phase
- ♦ **Pursuing additional licenses**



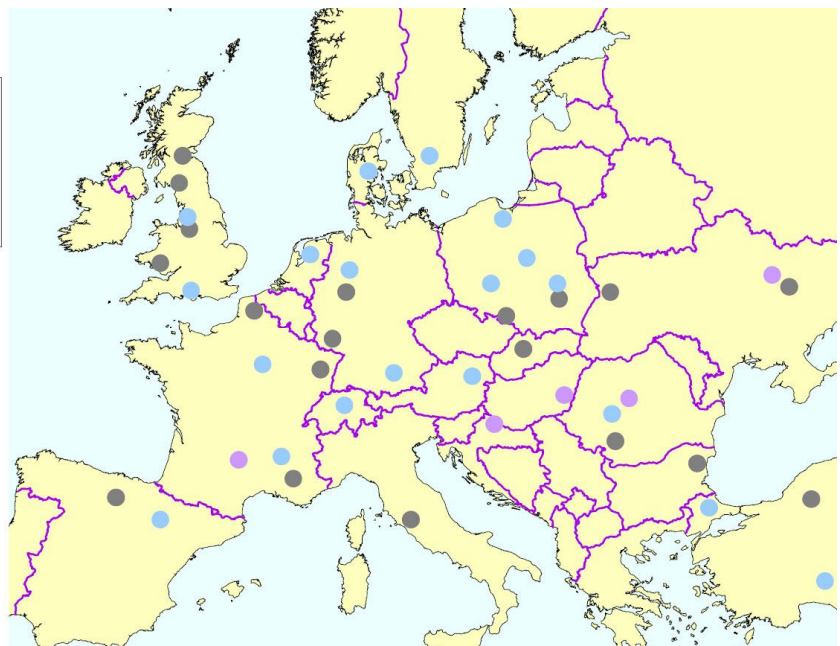
Yellow square: Marathon Licenses

Grey square: Existing Licenses

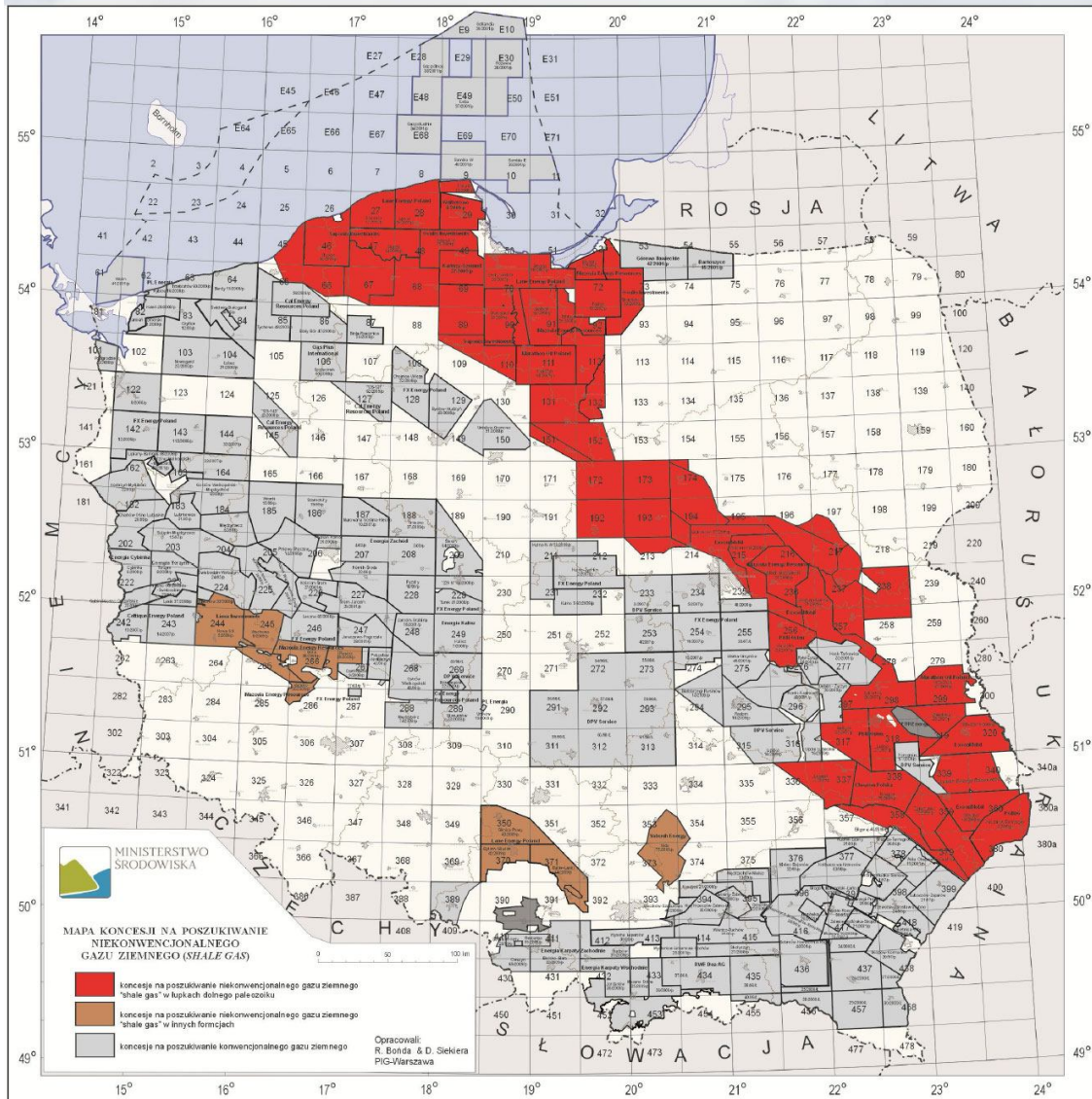
In Annell Bay's presentation was a slide showing Marathon's shale gas licenses up to that point in time, during the "early entry".

Rhodri Thomas had another slide indicating the extent and distribution of the three *unconventionals* in west and east Europe - Coal Bed Methane, Tight Gas, and Shale Gas.

- Example areas
- CBM
 - Tight Gas
 - Shale Gas



Shale gas exploration concessions

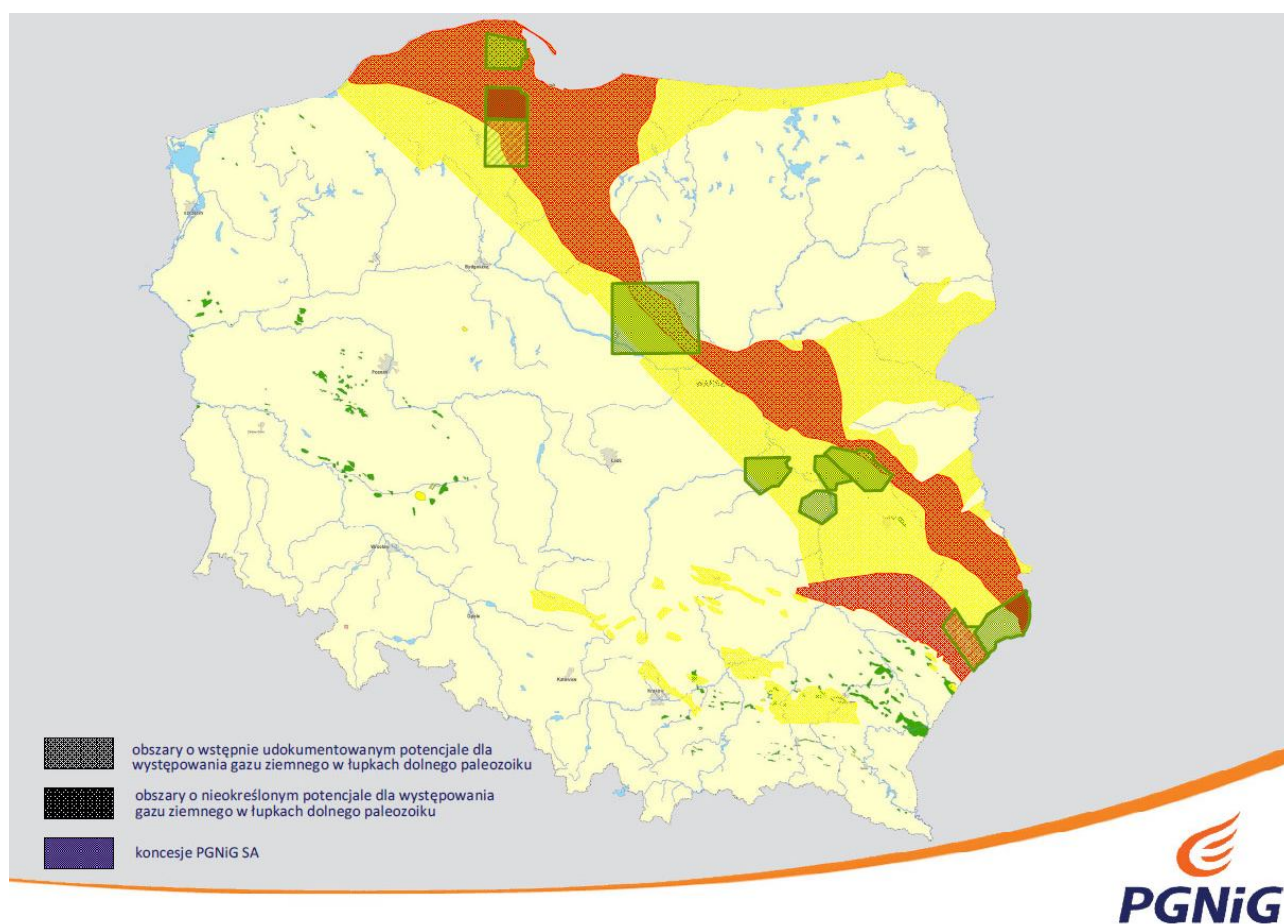


Dr. Henry Jacek Jezierski, Poland's chief national geologist, and Ministry of Environment's Under-Secretary of State, included the above map showing shale gas exploration concessions (red and brown color highlights). Jezierski's presentation was called *Concession policy and legal regulations for exploration and production of gas*. In his conclusion slide, he stated "we took advantage of "the Gold Rush of the XXI-st century". "

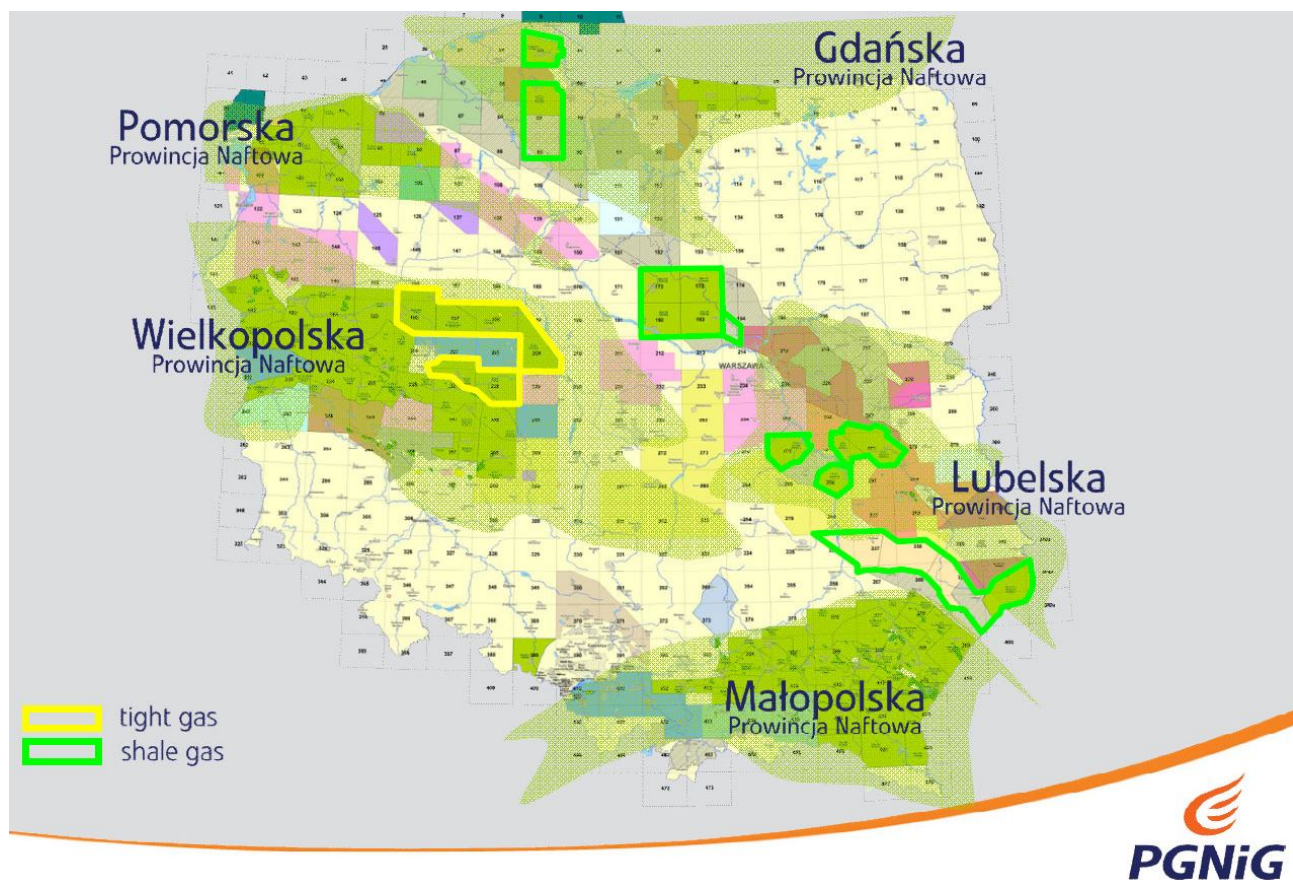
Jezierski had a slide naming the shale gas concession holders to date:

- Chevron Polska Exploration and Production
- Cuadrilla Polska
- Aurelian Oil and Gas Poland

- ExxonMobil Exploration and Production Poland
- BNK Petroleum (Indiana Investments, Saponis Investments)
- Land Energy Poland & ConocoPhilips
- Lane Resources Poland
- San Leon Energy (Liesa Investments, Oculis Investments, Vabush Energy)
- Marathon Oil Poland
- Mazovia Energy Resources
- Lublin Energy Resources
- PGNiG
- PKN Orlen
- Strzelecki Energia

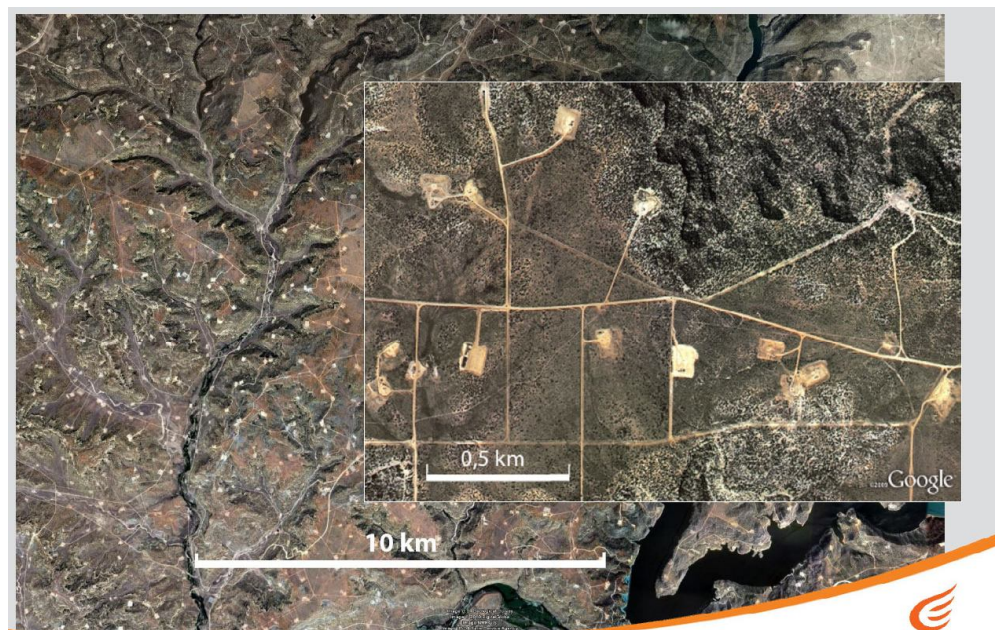


Stanisław Rychlicki's presentation was called *The search for unconventional deposits of natural gas in Poland*, which included the above slide showing Polish company PGNiG's holdings (in green), "areas with pre-documented potential" for natural gas in lower Paleozoic shales (orange), and "potential for occurrence" of natural gas in lower Paleozoic shales (yellow). Rychlicki has been the chairman of PGNiG SA's supervisory board since February, 2008, and is a "Professor at the Faculty of Drilling, Oil and Gas, as well as Head of the Chair of Oil Engineering" at the University of Science and Technology of Kraków. Rychlicki explained that in November 2009, PGNiG SA "signed a letter of intent" with Marathon Oil for joint operation activities in the U.S. (Quotes from Rychlicki's conference biography)



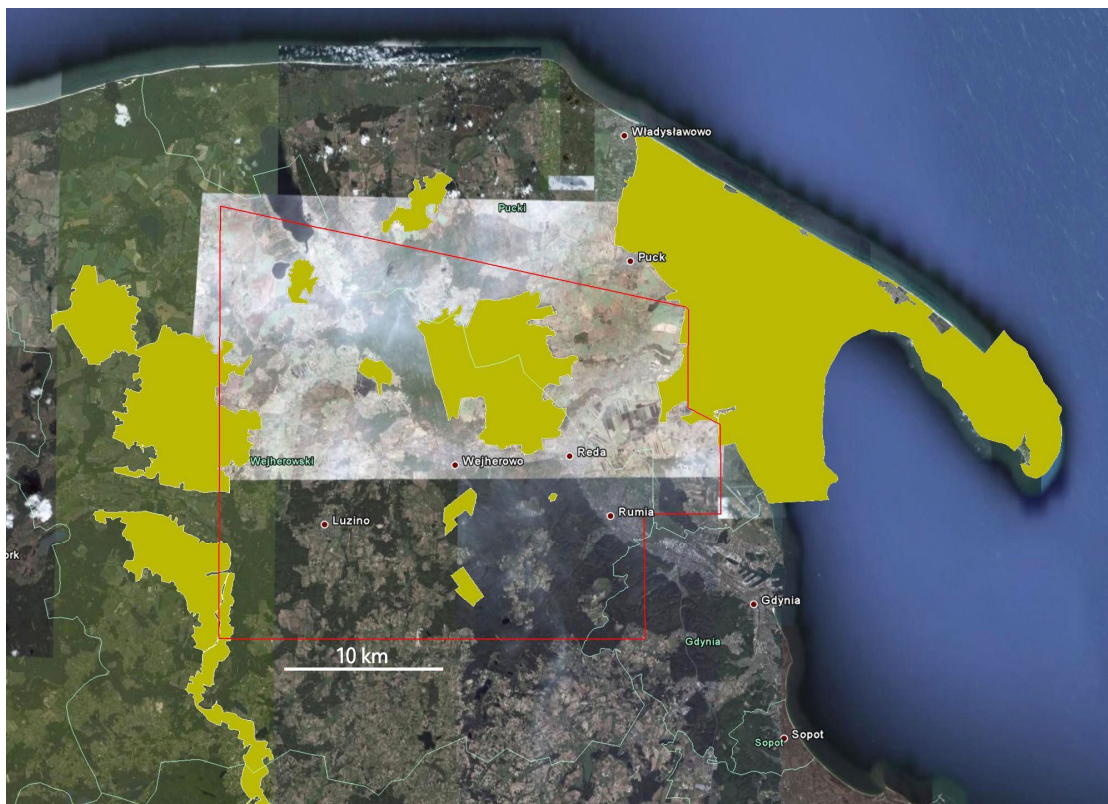
Another slide by Stanisław Rychlicki, showing tight gas (yellow border) and shale gas (green outline) concessions held by PGNiG. In the lower right hand area, in PGNiG's shale gas zone in the Lublin shale trench area, Rychlicki identified that in late 2009 PGNiG SA developed a joint exploration agreement with Chevron.

Rychlicki then developed the theme of “threats and opportunities”. For comparison purposes, to help illustrate what might possibly develop in Poland over the foreseeable future, Rychlicki included this first image he obtained from Google Earth on shale gas developments in the State of New Mexico. It shows a highly fragmented and degraded landscape from shale gas developments.





In the following two slides, called “urbanization in the concession area,” Rychliki included two images identifying PGNiG’s most northern concession area in Poland (with the red border line), including environmental conflicts concerning Poland’s “protected areas” (light green, below). The area is in the Province (Voivodeship) of Pomerania, some 300 kilometres northwest of Warsaw. The Province is divided into 20 counties (powiats), 4 city counties, and 16 land counties. (Wikipedia - *Pomeranian Voivodeship*.)





In one of his two slides above, Rychliki included another image from Google Earth as an overlap close-up slide, showing the non-urban area near the hamlet of Luzino (top area of image), within the southwest quadrant of PGNiG's concession area in Pomerania. The implications from Rychliki's presentation is that this area may face some serious impacts from shale gas developments, and therefore would face strong community resistance. Rychliki identified the following "threats":

- urbanized areas;
- stricter rules on environmental protection as a large number of areas and objects are under protection;
- negative opinions of local government, especially in the areas attractive to tourists (Pomerania);
- access to suitably large water resources.

Rychliki included this photo at the end his presentation, but failed to identify the location and date of the fracking operation (somewhere in the U.S.)



As stated in a May 2010 briefing report by Tomasz Cwiok, *Shale Gas Promises*, written for the American Chamber of Commerce in Poland, **the American Embassy in Poland “organized” the April 8 Warsaw conference**, which was co-sponsored by AmCham.¹ The following are lengthy excerpts from that report:



Poland is picking up the pace in its hunt for shale gas with a little help from its American friends. But the benefits of the Shale Gale do not need to be exclusively limited to the U.S. Poland is known to have geological formations similar to the ones bearing shale gas in the U.S. It is a matter of extensive exploration to identify whether those formations carry shale gas, and if so, to assess how much of it can be commercially exploited. The Polish potential for shale gas is now estimated at 3 trillion cubic meters, the highest in Europe.

THE AMERICAN CHAMBER of Commerce in Poland (AmCham) is a business organization that serves and promotes its member companies. It fosters a positive relationship with the government and promotes the free market spirit for the benefit of business. www.am-cham.pl. ul. Emilii Plater 53, 00-113 Warsaw

Understanding the consequences which shale gas exploration and commercial use may have for Poland, the Ministry of Foreign Affairs and the U.S. Embassy in Poland joined hands to organize a conference entitled “Energy Security and the Role of Shale Gas: American Experience and Polish Perspectives.” On April 8, leading Polish and American experts representing public and private sectors met at the Warsaw University of Technology to discuss issues concerning shale gas exploration, from geological to economic, ecological, legal and social aspects that are crucial for the potential emergence of a new industry in Poland.

Is there any shale gas in Poland?

*According to conference speaker **Richard Morningstar**, U.S. Special Envoy for Eurasian Energy, there are reasons for optimism. “The geology of Poland looks quite similar to that in the U.S.,” he said at the conference.*

*“The opportunity to extract gas from shale formations can transform Poland’s climate policy,” **Kraszewski** said. “With our heavy dependence on coal to produce energy, it is increasingly difficult for Poland to meet the E.U. requirements governing greenhouse emissions. It will cost Poland a lot if it continues to burn coal to produce electricity. But if it happens that shale gas is there in Poland, it will let us cut the emissions further and sell our emission rights too.”*

Exploration companies need to drill 1,000 to 3,000 wells to have the component of one conventional well.

¹ AmCham Canada’s website (under ‘AmCham’) states that AmCham “is affiliated with the United States Chamber of Commerce, which links with other chambers of commerce throughout the United States.” In turn, AmCham Canada, has ties with Foreign and Affairs & International Trade Canada. Association Members of the United States Chamber of Commerce include the American Gas Association, American Petroleum Institute, American Society of Association Executives, and the Association for Corporate Growth.

Conference speaker **Sally Kornfeld**, team leader at the Office of Fossil Fuels, U.S. Department of Energy, said that in Texas companies drill in the shadow of high-rise buildings: “It requires a lot of moving around. This in turn requires working with the local community to make sure that the regulation is appropriate and does not exclude the development of shale gas exploitation.”

But the development of many wells in a relatively small area may be stalled by local governments and licensing procedures. It is universally feared that local communities will not support the development of drilling sites, especially in areas that are attractive to tourists. The province of Pomerania is one such region. Currently two-thirds of the area is covered by shale gas exploration licenses.



Image from a special promotional magazine produced by Cleantech Poland called *Shale Gas Investment Guide*. “The Investment guide is targeted at North American suppliers and service companies who are considering entry into the Polish market”, a quote from Cleantech Poland’s May 27, 2011 news release.

According to conference speaker Prof. **Tomasz Parteka**, director of the Regional and Zoning Development Department at the Pomerania Province Governor's Office, local governments will cooperate with investors because of the anticipated benefits. According to Parteka there is no problem with multiple well drilling in the region. "The local government will be more than happy to cooperate with investors to find the best places for drilling," he said. What counts here, according to Parteka, is the conditions under which the drilling will take place, compliance with regulatory frameworks, and the transparency of investors in dealing with the local population.

Laws can help develop an industry, or hold it back. Exploration for natural mining resources in Poland is governed by the Geology and Mining Law, which dates from the early 1990s. In general, the economic risk of exploration is put on investors. If they find what they are looking for and obtain a license to extract it, they are obliged to share the profits with the state. The law is now being revised by the Parliament.

According to **Henryk Jezierski**, so far Poland has issued 291 licenses for exploration for mining resources, including 216 licenses for hydrocarbons (oil and gas). In turn, out of 394 licenses issued for extraction of mining resources, 224 cover hydrocarbons. "The business is booming," Jezierski said. "In the last two years I have issued 56 licenses for shale gas exploration."

Ecological concerns

The large amounts of water that hydro-cracking requires pose major ecological questions. "Water is a big problem for Poland," **Tomasz Parteka** said at the conference. "We have shallow resources of water. On the other hand our underground water reservoirs are under protection. Shale gas cracking can therefore pose a serious problem for the protection of underground water reservoirs."

PGNiG's **Stanisław Rychlicki** noted that access to water supplies will be a problem for investors.

Another problem is that it takes a lot of energy to inject millions of gallons of water under high pressure to crack the rock formation, especially if the research is carried out in northerly parts of Poland, a region which is energy deficient.

More environmental concerns come with the chemicals that are added to water to help it crack the rock.

Conference speaker **Mike Eberhard**, Manager for Production and Enhancement at Halliburton, said that hydraulic pressure cracking is used to fracture the rock so the gas inside the rock is released into the formation. "To do that, depending on the formation, different additives are used," he said. "There were thousands of wells made in the U.S. without any major issues of contamination."

Eberhard added that 20–60% of the water can be retrieved, but a significant portion of the water is not going back but becomes geological water. This is a problem. "Municipalities and agriculture are not big fans of shale gas exploration," he said. "We take water from rivers, lakes, and various other resources that are available. The state of South Dakota is

trying to figure out how to use the Missouri River and there are some issues with that. So that leads us into the environmental impact.

Water is a big concern. How much it costs to get it there, to store it and use it. It takes about 200 trucks to deliver the water you need to fill in a well. This is about environmental impact too.”

Eberhard said that the state of New York had prohibited all shale gas fracturing, which was the most extreme measure taken by a state so far in the U.S. “This is because they do not have any experience with shale gas fracturing,” he explained. “There is casing in the drilling zone and the casing is cemented twice. The area is isolated from surface waters but also from geological water beds. This is a regulatory requirement.”

*Conference speaker **Mike Smith**, executive director of the U.S. Interstate Oil and Gas Compact Commission, said that local people don’t know much about the business. “They are really afraid because it affects their lives, their business. The more education the better.”*

Smith said there has been a lot of discussion about environmental concerns stemming from oil and gas exploration: “We have a very mature industry in the U.S., but we are learning. Fifty years ago we didn’t have the technology that would enable us to protect the environment. Hydraulic fracturing is an issue. It makes shale gas extraction economical. We have a million wells in the U.S. that were hydraulic-cracked. Our organization has the hands-on responsibility to protect the environment and make sure the operators operate properly within the rules and regulations. Although there were complaints from landowners about surface water contamination or well contamination, there were no cases where the contamination was a result of hydraulic fracturing. Chemicals that can get into water were from other sources: agricultural use or domestic use. Hydraulic fracturing was safe and continues to be.”

*But when it comes to developing long-term energy strategies, policymakers proceed with caution. According to **Fabrizio Barbato**, “They should not rush into premature action that may do more harm than good in the long term. As the E.U. formulates its position on unconventional gas, it is to fully examine the U.S. experience. We have heard about the benefits of this experience and how important the growth of shale gas supply is for the U.S. economy. We need to understand all we can take from the U.S. experience, what makes it a positive experience. Only such in-depth analysis will allow us to manage our unconventional gas experience properly.”*

Barbato added that the European Council needs to gain an understanding of the shale gas experience so it can be formed into a policy. “Therefore we need to answer some essential questions about the U.S. experience: How did it come about and why? Where is the story leading the U.S.? What can be learned from the U.S. experience? We need to analyze the similarities and differences between the E.U. and the U.S. The understanding of the answers to those questions is important to make our own shale gas story successful.”

***Morningstar** agreed, saying that the decisions we make about energy sources will have long-term consequences. But in order to make the decision process more reliable for partners, the U.S. is willing to share information about shale gas technology. “In this time of energy crisis we need to consult with our friends and allies,” Morningstar said. “Poland*

and the U.S. have a long history of partnership and new partnerships are on the horizon, driven by the partnership in shale gas exploration.”

For Sikorski, the American experience in the sector of shale gas exploitation, coupled with the interest of American companies in the Polish geological potential, provides a perfect opportunity for boosting the cooperation between the two nations. “This year, energy and climate are the main topics of the Polish-American strategic dialogue,” Sikorski said. “I hope that the conference will not only serve the goal of information exchange but will inspire us with new initiatives and ideas.”

Numerous news items were flogged following the April 8 event. One mentioned how American-based companies were attracted to ‘cheap’ rates of land concession dished out by the Polish government, concessions which companies would later flip (like real estate scams) to gain enormous profits. Not to name names, but this was a key attraction for U.S.-based billionaire George Soros through his company San Leon, which acquired BNK Petroleum in 2010.

And because shale gas is not proven yet, some companies have picked up acreage for pennies an acre. As Wolf Regener, CEO of BNK Petroleum said, “We were actually really surprised by how inexpensive the acreage was. In the U.S., unproven acreage costs \$100–200 per acre, and top-quality property can run all the way up to \$30,000 per acre. Decent shale plays usually run at least \$8,000. What we found is that in Europe, the most expensive acreage that we are pursuing was 55 cents per acre.”

For these reasons, Poland seems to have attracted a lot of attention. The super majors are here already — Exxon Mobil, Chevron and ConocoPhillips, as well as Marathon Oil and Talisman Energy. This says good things about the potential of Polish shale gas.²

Other articles still voiced due caution toward investing in Poland. One summarily expounded the “hurdles”:

It’s still too early to tell whether European shale gas will prove the game-changer that it has been in the US. But Bernstein Research analyst Oswald Clint, after a trip to Poland to meet companies operating there, remains unconvinced that the various hurdles already identified will be easily overcome — and adds a few more concerns of his own.

The brief peak flow of shale wells could prove more of a difficulty than in the US, because well costs are much higher and available rigs are limited — Europe, says Clint, has only 74 operating land rigs compared to the US’ 1499; and just seven of those are in Poland:

“However Clint believes that density in rigs is not likely, and uses satellite maps to compare the density of farms around the basin with that of well-known US shale plays. The relatively high density of farms, he writes, could prove difficult for exploration and production efforts. In fact Poland’s relative lack of renewable water supplies and land compared to the US (on a per-head basis) could also be problems, he adds, particularly around environmental concerns.”

² *Finding Gains in the European Shale Boom*, Penny Sleuth, May 10, 2010.

*Also, knowledge is very thin — only five wells have been drilled in the Baltic Basin in Poland's north-west, the most promising area. Clint says the first real data on Europe's shale gas should come from some of the Polish players and from Shell's play in Sweden in late 2010 or early 2011; but it may take another year to make much sense of it.*³

Clint was right, in a way. Look at what happened to Royal Dutch Shell in Sweden (in the preceding chapter). Of course, the shale players lining up in Poland were carefully watching the events unfolding in Sweden with a microscope, getting briefed from their buddies at Shell. 'We must not let the same happen here in Poland,' was undoubtedly the refrain and aim of Poland's invaders.

By the way, the April 8, 2010 conference event was also sponsored by: Chevron, ConocoPhillips, ExxonMobil, Halliburton, Marathon Oil, Schlumberger, and Wood Mackenzie.

³ *European Shale Gas hurdles need to be overcome*, the Analyst, April 18, 2010.

8. The U.S. State Department - The GSGI Double Whammy

The report identifies five core strategies for meeting future energy challenges:

- *Expand and diversify production from clean coal, nuclear, biomass, other renewables, and unconventional oil and natural gas; moderate the decline of conventional domestic oil and gas production; and increase access for development of new resources.*
- *Integrate energy policy into trade, economic, environmental, security, and foreign policies; strengthen global energy trade and investment; and broaden dialogue with both producing and consuming nations to improve global energy security.*

(National Petroleum Council, News Release, July 18, 2007)

8-(1). Shale Gale Goldwyn

The **U.S. Energy Association (USEA)** is a heavy weight body of “public and private energy-related organizations, corporations, and government agencies” and is “the U.S. Member of the **World Energy Council.**”¹ Corporate and petroleum Association members include the **American Gas Association**, the **American Petroleum Institute**, **Chevron Corporation**, **Conoco Phillips**, **Duke Energy**, **ExxonMobil**, **Interstate National Gas Association of America**, **Natural Gas Supply Association**, **Shell Oil Company**, and **Total Gas & Power North America**. The membership list also includes the **U.S. Agency for International Development**, the **U.S. Department of Commerce**, the **U.S. Department of Energy**, and the **U.S. Geological Survey**.



At the April 7, 2010 USEA’s annual 2010 Board of Directors meeting held at the National Press Club in Washington, D.C., the US State Department’s recently appointed Special Envoy of International Energy Affairs, **David L. Goldwyn**, made a big

GUEST SPEAKERS

- **James J. Mulva, Chairman & CEO – ConocoPhillips**
- **David Goldwyn, Coordinator, International Energy Affairs – U.S. Department of State**
- **Stephane Bertrand, Executive Director – Organizing Committee**
- **Montreal World Energy Congress 2010**
- **Lucio Monari, Sector Manager, Energy Anchor, Energy, Transport & Water Department, Sustainable Development Network – World Bank**
- **Thomas Lasala, Managing Director & Chief Regulatory Officer – CME Group**
- **Andrew Cook, Senior Sales & Marketing - AREVA**
- **Jack Fatcher, President - Bechtel Power Corporation**
- **Barry Worthington, Executive Director – U.S. Energy Association**

announcement. The State Department would be “launching” something coined the **Global Shale Gas Initiative (GSGI)**. According to Goldwyn’s short biography on his company’s website, **Goldwyn Global Strategies**, he himself “created” the GSGI as a second component of his new portfolio.² The media picked up the story all across the world, i.e.:

The United States has officially offered its assistance to China and India, and other countries with potentially large shale gas resources that are under consideration include

¹ USEA’s website.

² The other component of his portfolio was something called the **Energy Governance and Capacity Initiative (EGCI)**.

Jordan, Poland, Chile, Uruguay and Morocco, according to Goldwyn. Goldwyn said the State Department will also help those countries determined to have shale gas come up with a plan to bring those resources to market.

The U.S. assistance will also show the countries how to auction off the shale gas, how to establish investment returns that attract companies to develop the gas, and how to provide the infrastructure for moving the equipment to produce the gas. (India's Siasat Daily, April 8, 2010)

It just so happened that Goldwyn's announcement came the very day before the April 8, 2010 conference event in Warsaw. Was the timing of Goldwyn's GSGI launching sheer coincidence with the Poland conference event, attended by U.S. heavy weights such as Ambassador Richard Morningstar, or was this part of an unfolding strategy? If so, and it appears to be so, who were the parties behind it all?



Goldwyn's photo is inset in the bottom left of Washington DC Press Club photo.

The American Chamber of Commerce's satellite office in Poland, in association with AmCham, had organized the April 8, 2010 conference. How long had the event been planned beforehand, and who had been responsible for arranging and planning it? Here is an interesting snippet from a petroleum intelligence firm about the rather eager involvement of the U.S. government in Poland:

It appears that the American government is pushing hardest when it comes to shale gas exploration/concessions. Industry execs, including one from Poland's national gas company (PGNiG) and a former AON Ruhrgas official, told this researcher that a deputy director of the U.S. Department of Energy spent a full six-month period in Poland lobbying the government for headway on concessions. Likewise, their opinion was that the current foreign minister, Radoslaw Sikorski, has either been leading the push to get American interests into the Polish shale gas race, or that the Americans, having a long relationship with Sikorski, have been pushing the minister to aid them in the current lobbying effort.³

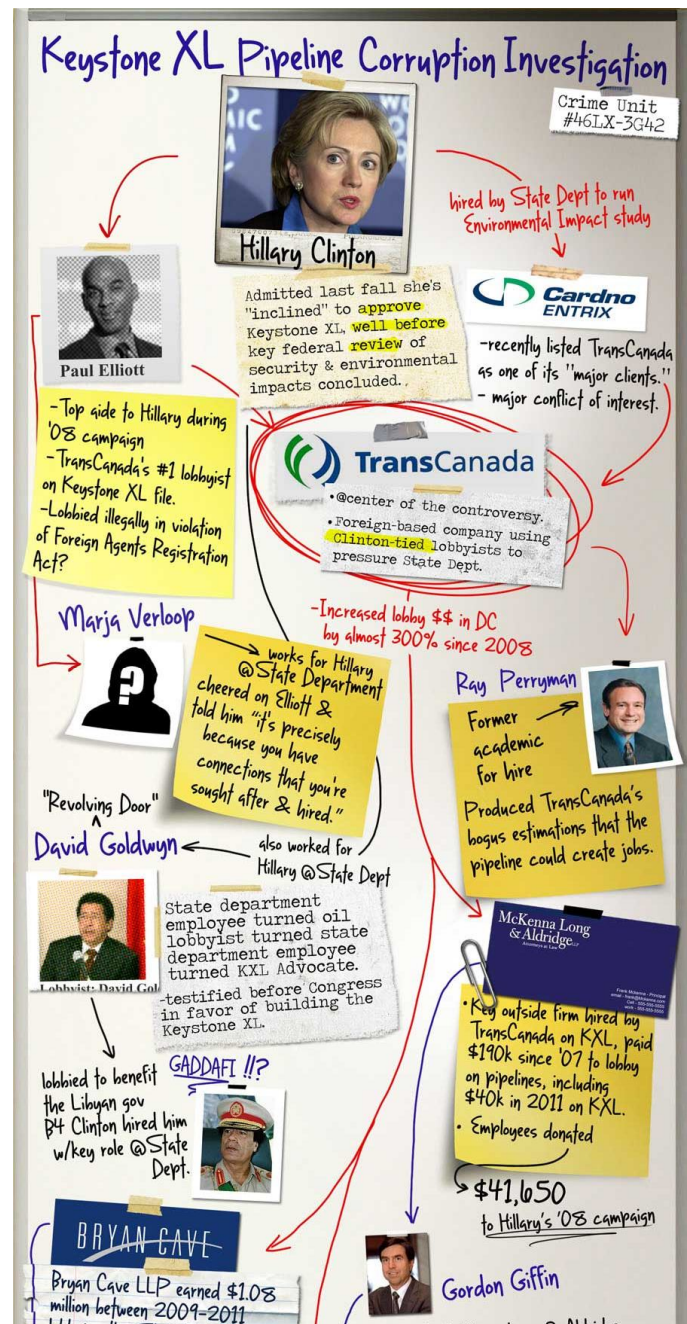
The information trail about U.S. State Department involvement seems to point in large part to Goldwyn, who as the new bridge advisor spokesman between industry and government, marshalled "the whole of government approach." The US State Department's website says that its GSGI's partners include the "US Agency for International Development (USAID), the Department of Interior's U.S. Geological Survey (USGS), Department of Interior's Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), the Department of Commerce's

³ CEE Consulting, *Shale-gas and Poland - A potential game-changer with complications Briefing.*

Commercial Law Development Program (CLDP), the Environmental Protection Agency (EPA), and the Department of Energy's Office of Fossil Energy (DOE/FE)." Goldwyn stated at his January 11, 2011 swan song speech at the Woodrow Wilson Institute that it also included the Federal Energy Regulatory Commission (FERC). As the GSGI guy, Goldwyn then helped facilitate a series of events, through the blessings and operations of the U.S. State Department, that eventually brought Poland into the fold, that is, on the European shale gas front. Many other global unconventional fronts were being orchestrated at the same time. Richard Morningstar, Hilary Clinton's Eurasian Energy Envoy appointed in April 2009, was another senior player in the shale game.

What is Mr. Goldwyn's background? A version of his biography is on the U.S. State Department's website, where it states that Secretary of State Hilary Clinton had appointed him, and was "sworn in on August 17, 2009" as Special Envoy and Coordinator for International Energy Affairs (this version is included as **Appendix A**).⁴ From 2001 to 2009, Goldwyn had his own energy consulting firm called **Goldwyn International Strategies LLC**, which he resumed after he left the State Department in mid-January 2011, who became, among other things, while under the employ of **Sutherland** (a "Washington lobbying and law firm"⁵), a strategic lobbyist for Alberta's tar sands and for the related controversial crude Keystone Pipeline. From 1991 to 1992, Goldwyn was "an Attorney-Adviser in the Office of the Legal Adviser at the State Department." From 1993 to 1997, he was Chief of Staff to the Under Secretary of State for Political Affairs during the Clinton administration; the National Security Deputy to the U.S. Ambassador to United Nations Bill Richardson from 1997 to 1998; the Counsellor to the Secretary of Energy from 1998 to 1999; and the Assistant Secretary of Energy for International Affairs from 1999 to 2001.

Right: Cut out from a recent Friends of the Earth collage examining players in the controversial Keystone XL Pipeline review by the US federal government. David Goldwyn is in connecting the dots image on the bottom left, above former Gadhafi.



⁴ Spencer Boyer, with The Center for American Progress (where he worked on transatlantic and European affairs), was also appointed the same day as deputy assistant secretary of state for Europe and Eurasian Affairs.

⁵ Los Angeles Times, July 15, 2011. Goldwyn's biography is also on Sutherland's website, where he "works with Sutherland's Energy and Environmental Practice Group."



Photo of a NATO panel discussion in 2006 at St. Gallen, Switzerland. From left to right: John Roberts, Energy Security representative from Platts; Poland's Defence Minister Radoslaw Sikorski; moderator John Mitchell, Chatham House fellow of Energy, Environment and Development Program; David Goldwyn, Goldwyn International Strategies; and Dr. Stephanie Babst, NATO deputy assistant secretary general public diplomacy division.

The State Department biography also notes that Goldwyn “has been affiliated with the **Ford Foundation** and the **Brookings Institution**.” On November 2, 2009, some two months into Goldwyn’s new appointment, the Brookings Institution, the Embassy of Poland, the Embassy of Sweden, and the **Heinrich Boll Foundation** hosted an event called *The European Union’s Eastern Partnership, Energy Security and the U.S.-EU Cooperation*. Royal Dutch Shell had made initial investments and political inroads in shale gas in southern Sweden in late 2007 where public protests and court actions were unfolding, and Marathon Oil and Chevron had made inroads into Poland for shale gas. The think tanks were gearing up Goldwyn’s big shale energy plan for Europe.

In 2009, Harpers magazine seems to have published the only scant and critical accounts in the ‘media’ about Goldwyn and his appointment by the U.S. State Department. In a February 20th account - well before the rumours of Hillary Clinton’s short-list that included Goldwyn for his fated appointment - former Harpers Business editor Ken Silverstein wrote that Goldwyn was “a consultant to energy companies” and a staff member of the **US-Turkmenistan Business Council** “which is primarily funded by American oil companies (**Chevron, ExxonMobil, Marathon**) hoping to do business” in Turkmenistan. The article also notes that “Goldwyn also heads up the **US-Libya Business Association**, an oil-endowed entity helping to promote Colonel Muammar Gaddafi.”⁶ Just by coincidence, the three oil companies that Goldwyn was working for were also making the first deep shale claims in Europe: Exxon was the first company to frack the European Union for shale gas in Germany, and all three obtained deep shale licenses in Poland by late 2009.

Silverstein is one of those rare, savvy sort of investigative reporters. According to information about him on Wikipedia, “he drew attention in 2007 for a report in which he went undercover as an investment group with business interests in Turkmenistan, raising questions about journalistic ethics.” The descriptive goes on to state that “Silverstein said that he could not have exposed the willingness of companies to work with a Stalinist dictatorship using conventional journalism

⁶ Harpers, *Turkmen Dictator Finds Help in United States*.

methods.” Silverstein was the 2008 author of *Turkmeniscam: How Washington Lobbyists Fought to Flack for a Stalinist Dictatorship*, and was interviewed on June 22, 2007 on the PBS television show, *Bill Moyers Journal*, where he gave an account of the deep problems of energy lobbyists in Washington D.C., the U.S. Capital.

Silverstein wrote a punchy piece on May 22nd for Harpers, *Dictator/oil consultant being considered for senior administration position*:

Two sources have told me that David Goldwyn, a long-time advocate and consultant for the oil industry and energy-rich Third World countries, is on the short list for a top position at the State Department. One source stated that Goldwyn is being considered for the post of International Energy Coordinator; the other believed he was in the running for the position of Assistant Secretary at the Bureau of Economic, Energy and Business Affairs. Either way, it would appear to be a conflict-of-interest, to put it mildly.

“Goldwyn International Strategies, LLC (GIS) is a leading provider of political and business intelligence, energy sector analysis, and Washington strategy advice to Fortune 100 companies and investment advisers,” says his firm’s website. “Our team of advisors, analysts, and economists has decades of experience in Executive branch and Congressional relations in the United States, and political and economic analysis and diplomacy in Eurasia, East Asia, the Middle East, Africa, and Latin America.” Goldwyn is a classic example of how in Washington one can effectively lobby without having to register.

Goldwyn advocates a form of foreign policy “realism” that makes Brent Scowcroft look like a Quaker spokesman. In the aftermath of 9/11, he argued that the United States should import less oil from the Middle East and more from countries in the equally corrupt regions of Central Asia and West Africa.

Goldwyn did not return a phone call seeking comment.

Silverstein’s final entry came some three weeks following on June 12th, *Obama to Name Oil Industry Crony to Top Position*:

For all intents and purposes, Goldwyn is a lobbyist, although weak disclosure rules don’t require him to register. He works for international oil firms and on behalf of crooked oil-rich countries like Turkmenistan and Libya. Just the sort of guy you want shaping American energy policy.

Rozen quoted a former administration official as saying Goldwyn “has worked to bring more transparency to the energy sectors of countries he’s worked in, including Nigeria.” That’s pretty amusing since Nigeria remains one of the most corrupt countries in the world. It would be interesting to hear about Goldwyn’s achievements there (and in Turkmenistan and Libya).

It looks like Obama will pursue the same old American policy towards energy-rich nations: give us your oil and steal all you like.

8-(2). Goldwyn's GSGI: Two-Birds-With-One-Stone "Whole of Government" Approach

The deep irony and contradictory nature about Goldwyn's GSGI program announcement through the U.S. State Department is that the Environmental Protection Agency (EPA) had just initiated a lengthy federal review process on hydraulic fracturing (on February 18, 2010).

On the one hand, a federal environmental agency was supposedly undertaking a serious investigation of the life-cycle merits of fracking operations in the United States, while on the other hand the State Department was suddenly promoting its undertaking internationally. When pondering or weighing its significance, the GSGI directive is a brilliant yet cunning and devious strategy: a classic two-birds-with-one-stone, or double whammy.

Here's the construct or mechanistic history of its uncanny unfolding. During the Bush-Cheney pro-fracking administration the structures of federal agencies and departments had undergone revisionary strategies to severely interfere with what may be generally termed as the public good, redirected toward the benefit of private industry. Much has been published to this effect (and much more should have), in how captains and representatives of industry had been placed in charge of federal programs and agencies, and what transpired to federal programs and personnel as a result. There is a complex history here during the 8-year Republican administration on energy-related issues alone, both national and international policies and programs. Within this context came the passage of the Halliburton Loop-Hole in 2005, the infamous exemption of fracking from the federal *Safe Drinking Water and Clean Water Acts*, in which the Interstate Oil and Gas Compact Commission played a leading role.

Had the Republicans returned to office for the third consecutive term, there are ample grounds to assume that the EPA's review of hydraulic fracturing underway by the Obama administration would have been obstructed and would not have occurred, something the fracking fraternity is cognisant of.⁷ Because of the complex political nature of making changes to federal government agencies related to the energy industry, the Obama administration, even if it so wanted, would have been hard pressed to bring about substantive alterations within federal agencies to reflect more democratic and wholesome policies and conditions. Given this backdrop, the decision-makers and advisors within federal government agencies, through intense lobbying efforts by the energy industry, were unwilling to tolerate the likely outcome should the EPA's findings directly challenge the fracking industry, both at home and abroad. Therefore, if the State Department could help bring in the rest of the world's governments on the fracking train under the rationale of "energy security" - a process which it initiated with India and China in late 2009, and by signing an agreement with China in November 2009 - then the more difficult it would be for the EPA and politicians to oppose or environmentally regulate the frackers deep inside America, and by direct association, inside western Canada, as the EPA's investigations into fracking furthered.

The dichotomy is most worrisome. It's a classic ugly standoff, identical in many ways to, and far more intense than, what unfolded during the heated campaigns in Canada and the United States about clear cut logging of old growth forests. The three words "talk and log" were coined by those out to protect the forests, because the phrase branded the brazen strategy by the timber industry in league with compromised forest service agencies in charge of public forest lands. The extent of, and investments made into, public relations exercises by the timber industry during the old growth battles in both countries, now pale in comparison to the petroleum industry's efforts on the fracking

⁷ I.e., the 2009 Hearings regarding the Frack Act, and the oral and written comments by industry and its supporters.

front. Now it's "talk and frack" - and during and after the talking a lot more fracking. Ultimately, U.S. president Obama, the commander-in-chief, could possibly have invoked an executive decision to place a blanket moratorium on fracking on all public and private lands (as underground and surface waters know no bounds) while its practice was being investigated. That would have been profoundly interesting for the entire world to witness, and what a show it could have been!

The spins under America's new dichotomy were soon being promoted by the petroleum sector, and occasionally rubbing the EPA's nose in it:

The US State Department is seeking to export the promise and potential of shale gas to markets around the world, but the big question is: Will the Obama Administration apply the same lessons and encouragement here at home?

According to the White House, the president and his administration continue to be actively involved in spreading the good news of shale gas far and near, even using it as a tool of diplomatic engagement in promoting a clean, sustainable and growth-oriented energy future for some of our closest and most important trading allies across the globe.

*Let's promote shale gas globally, but let's act locally on it as well. That was the message delivered by the State Department at the Washington event. Any chance the good folks over at EPA heard it?*⁸

8-(3). The Secret Washington D.C., GSGI International Conference

The advertising excitement about Goldwyn's international conference on shale gas in Washington D.C. was all over the energy industry news wires. Following upon the shale gas conference in Poland three and half months earlier, the August 23-24, 2010 conference was the next giant promotional step for the State Department's GSGI. Following this sales pitch occasion, great momentum was built up by the public relations entities, involving the policy support end of things by petroleum industry-friendly think tanks. On the European front, especially through the early agreements with Poland, it may have helped to put a few cracks in the ice of public opposition.

With all the excitement and interest developed around this conference event, the strange thing about it was its private, guarded and secretive nature, which nobody seemed to pick up on in the media. Using search engines, there was nothing found on the internet about Goldwyn's conference's program agenda and speakers, no record of the conference details on the U.S. State Department website, no conference photos, no comprehensive list stating which countries were attending, no identification of the names of the representatives from those countries. The only available information was Goldwyn's September 3, 2010 *Dipnote* and a controlled media briefing session on August 24th with David Goldwyn describing the private event as a "regulatory conference".

As witnessed in Goldwyn's *Dipnote*, the conference program was about marketing and promoting shale gas and its U.S.-patented technology to the international visitors, and not about including an organized voice from concerned landowners, groups and local governments who would have provided some much needed perspectives from America's anti-shale gas community warriors:

⁸ *Shale Goes Global*, Jeff Eshelman and Chris Tucker, Energy In Depth, published in the Oil & Gas Financial Journal, August 25, 2010.

*On the first day, the conference took the delegates through the process of what governments need to know before they establish a shale gas industry, based on the United States' experience. We began with presentations from the U.S. Energy Information Administration (EIA) on the role that unconventional gas will play in U.S. and global energy supply, from the U.S. Department of the Interior's **U.S. Geological Survey (USGS)** on how to assess the extent of a country's shale gas resources, and then presentations from the Interior's **Bureau of Land Management, Environmental Protection Agency (EPA), the Interstate Oil and Gas Compact Commission, and the Ground Water Protection Council** on the umbrella of regulations the United States has put in place at the federal and state level to ensure the safety of drinking water and that shale development is conducted safely and responsibly.*

*On the second day, the presentations focused on the infrastructure, technology, and investment climate necessary for shale development, with **presenters from private firms, the Federal Energy Regulatory Commission (FERC), the U.S. Department of Commerce's Commercial Law Development Program, and the U.S. Trade and Development Agency (USTDA).***

*Finally, on the third day, the **U.S. Energy Association (USEA)** arranged for the delegates to travel to Pennsylvania for a visit to a **Chief Oil & Gas shale gas site in the Marcellus** shale play. Participants were given the chance to see a drilling rig, observe water containment facilities and ask questions at a live gas site. The event was remarkably successful.*

There is a video, audio and written transcript on the August 24th Goldwyn briefing, and that's about all that was provided to the public: no video or audio recording, no transcript of the conference event.

Our motivation as the State Department to engage on this issue should be clear for foreign policy and energy security reasons. Countries around the world need diversity of energy supply.

We have, in our country, an umbrella of laws and regulations that makes sure this is done safely and efficiently. We have federal regulation of air and water. We have state regulation of land use and water. We have the capacity to monitor and to regulate. And even then, there's the need for enforcement.

So what we did was we gathered all these agencies together for two days to explain all of these things to governments. So EPA talked about how we regulate water at the federal level and how they partner with states. EIA, the Energy Information Administration, talked about the phenomenon in the growth of shale gas and how unconventional gas in general is making – giving us choices to improve the climate and to reduce the pathway for future energy emissions. The U.S. Geological Survey is talking to these countries about how you know what kind of resource you have. And the Bureau of Land Management and the Department of Interior is talking about how on federal lands all the steps we take in terms of environmental impact assessment, safety regulations, license rules, to make sure that when an operator comes to develop a resource that you have someone who is technically qualified, someone who has a plan which has been approved, and that the environmental impacts have been considered and are adopted into the core of the license.

We've also had a representative from the Groundwater Protection Council, and this is an association of state regulators, because in our country, it's really the states that are on the front lines of safe drinking water regulation. In 33 states, the state leads or co-partners with the Environmental Protection Agency. So we've spent a lot of time talking about water, because water is scarce in a lot of these countries.

The bottom line is that we've had a really successful conference, because these countries have a lot of questions.

It's another of the examples of our using smart power or creative diplomacy to try and improve energy security, but to help countries learn what they need to know.

Reporters and others attending the staged conference media scrum managed to fire off one or two questions related to some of the controversies about fracking, and nothing was raised about America's new political fracking dichotomy:

QUESTION: *Some environmentalists say that these shale extraction techniques are unequivocally disastrous vis-à-vis groundwater and that sort of thing. Is that the case, as far as you're concerned? Do these concerns play in the discussions here?*

MR. GOLDWYN: *Well, safe water and safe regulation plays a huge part in our discussions. It's really one of the main reasons that we held the conference in the first place. And while hundreds of thousands of wells have been drilled successfully in the United States so far, the lesson that we want all these countries to understand is that you have to have technically competent people operating and you have to have laws and regulations in place first. We have safe – we have safe – Clean Air Act. We have safe drinking acts. We have rules about where you can drill. We have rules about what sort of casings you have to have. And so, if done responsibly, it can be done safely, but these countries need to know you need laws and regulations in place first. I wouldn't paint the development with a broad brush.*

QUESTION: *Basically, my question is that the production in the U.S. seems to have outpaced the ability to effectively oversee the safety, with multiple reports of ground water tables being polluted and the proprietary blend that they use, the companies use, they don't have to really divulge what it is there under high pressure being pumped into the ground. So it seems that if U.S. is having a difficulty keeping up with the safety aspect, to what extent can we expect that other countries will be able to do the same?*

MR. GOLDWYN: *We heard from the Ground Water Protection Council, which is sort of a collection of state regulators, and we spent a lot of time talking about that issue, that you have to have the capacity in place first and that you have to have the rules in place to do that – to do that safely, and that you have to make sure that you know how to do that. We also heard a lot about the evolution in the states about new requirements for disclosure when – of what's in the fluids. We heard new things from the companies about the move to use organic and green fluids in the process and about new technology for making the operations safer. So that essentially was our core message to all these countries is you need to know what you need to know before you get started.*

***QUESTION:** Were any river basin commissions involved with this conference? The Susquehanna River Basin, the Delaware River Basin, Ohio River Basin, Potomac River Basin – are any of them involved?*

***MR. GOLDWYN:** Not this one.*

***QUESTION:** Because they regulate water supply.*

***MR. GOLDWYN:** We had – for this one, we had BLM and EPA and the Ground Water Protection Council.⁹*

In the first half of October 2011, I contacted Congressman Henry Waxman’s office and asked if one of his aides would assist me in obtaining information from the U.S. State Department about details from Goldwyn’s public tax-dollar sponsored international conference. The other bit of information I was also looking for concerned Goldwyn’s sudden departure from the State Department in mid-January, 2011, as it seemed to have occurred without any fanfare or formal statement from the State Department.

On two separate occasions thereafter, the State Department would not release the particulars to Waxman’s office, and only provided website links to Goldwyn’s briefing session and *Dipnote*. Why would the U.S. State Department refuse to release simple information on the conference program, presenters and attendees? What was the State Department hiding?

Finally, on the third occasion on asking this information from the State Department, Waxman’s office got a response, summarized in the following email sent to me on the late afternoon of October 26, 2011:

*I received a call back from the Office of the Coordinator for International Energy Affairs about your inquiry after the incomplete response from our liaison. The individual I spoke with said that the conference was a **government-to-government** program, with a **limited industry presence**. The purpose of the program was to **share information** internationally about the U.S. experience with shale gas, and, like other government-to-government programs on **sensitive issues**, the State Department has chosen to share only the information they put on their website. I also asked about Mr. Goldwyn’s departure and was told he **voluntarily left** the position to return to the private sector as a consultant.*

Among others, the words “sensitive issues” are highlighted in bold for emphasis in the above quote. I would infer from the third and final response from the State Department that the conference program and identities of conference attendees are not for public consumption, for now. The other matter, about Mr. Goldwyn’s departure, remains unresolved. Under what conditions did Mr. Goldwyn actually leave the Department? What’s the *real* story? That story, as identified in part below, most likely involves Goldwyn’s revolving door services.

Through sleuthing, there are some clues or bits of information available about Goldwyn’s somewhat mysterious and “sensitive” conference. In a participatory power-point slide presentation on June 24, 2011 in Washington, D.C., as part of a briefing series by the U.S. Geological Survey to members of

⁹ Described in chapter 9 of this report, the Ground Water Protection Council is a close ally of the Interstate Oil and Gas Compact Commission and, therefore, of the petroleum sector.

the U.S. Congress and staff, Goldwyn, who was no longer with the State Department, provided a list of the 20 countries that came to the August 2010 conference. They were: **Armenia, Bulgaria, Chile, China, Columbia, Estonia, Georgia, India, Indonesia, Jordan, Latvia, Lithuania, Morocco, Pakistan, Peru, Poland, Romania, South Africa, Ukraine, and Uruguay.**

The second bit of information is intriguing, and may perhaps be one of the reasons, or an indication of, why the State Department was loathe to release any information to Waxman's office, an event Goldwyn alluded to in his *Dipnote*, overlapped with the reference to "limited industry presence." According to an August 26, 2010 news article in Pennsylvania's Sun Gazette, *World's eyes focus on local shale process*, 12 out of the 20 country representatives went on a private tour to Pennsylvania: Armenia, Bulgaria, China, India, Indonesia, Jordan, Lithuania, Morocco, Poland, Romania, South Africa and the Ukraine. Goldwyn's Dipnote states that the tour was "arranged for" by the **U.S. Energy Association (USEA)**, the same organization that hosted Goldwyn's GSGI inaugural announcement at Washington D.C.'s Press Club on April 7, 2010.



Photo of Ewa Zalewska (center), and Maciej Pisarski (right), two of Poland's six or more representatives at the GSGI conference in Washington. Other international participants are seen in the background milling about on a break after a conference session. The white folder with the unidentified golden emblem in front of Zalewska may have been distributed to conference members. Zalewska is the director of geology in Poland's Ministry of Environment, and Pisarski is with Poland's embassy in Washington as its deputy chief of Mission.

Only four of the 12 international representatives on the tour were identified in the article. From: Poland, **Ewa Zalewska**, director of the Department of Geology and Geological Concession for Poland's Ministry of Environment; India, **B.P. Singh**, executive director for exploration and production of Gail (Gas Authority of India) Limited, an India State run enterprise; Jordan, **Bahjat S. Aladwan**, president of the Jordanian Geologists Association and Arab Geologists Union; and South Africa, **Jennifer Marot**, the senior geologist and manager of frontier geology for Petroleum Agency SA "the agency that regulates oil and gas exploration in South Africa", who said that "she and agency CEO Mthozami Xiphu want to see the impacts of shale development first hand."

Along with Goldwyn on the bus tour was the U.S. Energy Association's senior program manager **Albert Doub**, EPA's environmental engineer **James Kenney**, and unidentified staff from the State Department.

The Sun Gazette reported that when the tour bus arrived in Williamsport, Pennsylvania, "they attended a luncheon hosted by Texas-based **Chief Oil and Gas** and then went on a bus tour of Chief gas operations in the eastern part of Lycoming County. The tour was moderated by company communications specialist Daria Fish, who attendees barraged with questions about shale gas development, including seismic testing, regulations, leases, landowner issues, pipelines and the financial viability of shale gas development." Chief Oil and Gas' vice president, **Kristi Gittins**, was there as well, who said that "her company was only too happy to host the tour."

The Sun Gazette failed to identify Gittin's other and more strategic political role: she is on the executive committee of the **Marcellus Shale Committee (MSC)** as its **vice president of public affairs**. The MSC, a recently formed influential pro-fracking lobby group, presently has 42 oil and gas exploration and production companies/corporations as members, and a long host of associate members from the service and support industry, which is co-sponsored by the **Independent Oil and Gas Association of Pennsylvania** and the **Pennsylvania Oil and Gas Association**.

Though Texas-based Chief Oil & Gas had owned about 580,000 acres in the Marcellus shales, Chevron bought about 230,000 of Chief's acreage in May 2011 for about \$1 billion. Trevor Rees-Jones, the ceo of Chief Oil & Gas, had bought cheap acreage in the Marcellus and was now reaping enormous profits by flipping his investments. According to *SourceWatch*, 2010 "was the biggest year in gas and oil political contributions by corporations hoping to encourage lawmakers to continue with the lax restrictions surrounding methane gas drilling. Nowhere is this seen more than in Pennsylvania, where the majority of the Marcellus Shale area lies." *SourceWatch* also states that Trevor Rees-Jones "personally gave \$100,000" to Republican Pennsylvania Governor Tom Corbett's campaign, and that he:

has given to numerous front groups and PACs whose objectives are to further the lenient laws surrounding fracking. American Crossroads ("the right-wing organization advised by Karl Rove and former RNC chairman Ed Gillespie") and the Republican National Committee, as well as the Republican Congressional Campaign Committee

An obvious question arises: what is the relationship between the Marcellus Shale Committee and the U.S. Energy Association which arranged for the tour? Answer: they are intertwined.

Back on October 9, 2009, when the State Department hosted Goldwyn's introduction to the media as its new Coordinator for International Energy Affairs, a woman reporter asked Goldwyn an obvious and important question:

Energy is such a security issue for many countries and a tool of power for many countries. How do you avoid the impression that the United States is doing this for itself to make sure that it has adequate resources around the world for – to get energy, or that it might not try to give this advice with the idea that this is a way of subtly or unsubtly carrying out the foreign policy mission of the United States?

The U.S. State Department's GSGI website page provides a partial answer to her question: "The ultimate goals of GSGI are to achieve greater energy security, meet environmental objectives and further U.S. economic and commercial interests."

8-(4). Goldwyn's Departure - Role Playing Shift (you know, the revolving door)

Many more things could be said about Goldwyn's role in promoting shale gas and his activities both at home and abroad as special international energy envoy to Hilary Clinton. Of interest was his sudden, no-fan-fare departure from government. The only information found on the internet about his departure was a simple reference in the January 24, 2011 edition of the Oil & Gas Journal, *Goldwyn on shale gas*, in Nick Snow's weekly Watching Washington gossip column.

It may have well been David L. Goldwyn's last public address as special envoy for international energy affairs at the US Department of State. His last day there came a few days after his Jan. 11 remarks at the Woodrow Wilson Institute for International Studies, where he responded to a wide range of questions following his prepared remarks.

Woodrow Wilson's acting director Mike Vandusen gave the introductions as Goldwyn sat waiting for his last performance with the State Department, which, according to what Goldwyn said in passing to the audience, would be at the end of that week. Vandusen said the January 11, 2011 morning event, *U.S. Energy Security Policy: A Global Perspective*, was being sponsored by the Institute's European Studies Program, "**a new European energy security initiative** which seeks to foster discussion and analysis on Eurasian energy issues of keen interest to scholars, policy makers and industry representatives." He also stated that Goldwyn's 17 month stint with the State Department included "23 trips involving 16 countries."

Woodrow Wilson's vice-president of communications, Dana Steinberg, summed up Goldwyn's presentation with the following:

The priority is transforming the world's energy system to a low carbon, low emissions one, a process that will be a long haul, said Goldwyn. He urged policymakers, environmentalists, and energy producers "to keep an open mind, a patient ear, and a civil tongue. If we can do that, we can have a stronger economy, cleaner environment, and safer world."

Some three weeks after Goldwyn's final hurrah, the Woodrow Wilson Institute officially launched a new program on February 1, 2011, the **European Energy Security Initiative (EESI)**.

To delve into the complex issues surrounding European energy security, the Woodrow Wilson Center's European Studies recently launched the European Energy Security Initiative (EESI). While much of the existing reporting on European energy dynamics comes from an economic or geopolitical perspective, EESI will bring scholarly experts, policymakers, and industry representatives into the mix to provide a more complete picture.

As a testament to the importance the United States is placing on the emerging role of Europe in energy security, the State Department has an expert, Ambassador Richard Morningstar, who works full time on this region. Morningstar, the U.S. secretary of state's special envoy for Eurasian energy, spoke at the Wilson Center in October at what was EESI's inaugural event.

EESI will host a monthly series of events, the European Energy Security Forum, host research fellows, and publish a comprehensive annual report, to be titled, Europe's Energy Future, aimed at U.S. policymakers.

A January 11 Director's Forum featured then Special Envoy on International Energy Affairs for the U.S. Department of State David Goldwyn who described energy security as a matter of national security and an important foreign policy tool.

This envisioned multinational energy collective includes Europe. In the United States, Goldwyn said, high-level talks are occurring to engage suppliers and emerging suppliers across the globe, including in Eurasia. Heightened conversations with the U.S.-EU Energy Council have brought important issues to the forefront, including oil and gas supply, developing markets, and energy efficiency.

One emerging issue is the potential for developing unconventional natural gas sources, known as shale gas, in Europe. "Shale has revolutionized the global gas market," said Goldwyn. "[Natural gas] is in large supply and available on the spot market in Europe and elsewhere."

But will shale gas development revolutionize Europe's energy scenario? Goldwyn responded with cautious optimism, saying that will depend on several factors. Europe has significant shale formations, he said, but it's difficult to know its permeability, maturity, and type until exploration begins. From a geological standpoint, Europe has potential, particularly in Poland, Hungary, Germany, and France, he said. But feasibility of shale will depend on whether Europe attracts the needed investment to exploit the shale and implements regulations to give confidence to investors who would have to sell it. Another unknown is public acceptance in Europe. "Do people want it?" he asked. "We'll see."

EESI will seek to identify and evaluate the potential for new technologies to change the game in European energy. Whether unconventional gas development, deep drilling for oil, or the exploitation of gas hydrates, technological innovation will shape the future of European and global energy security for decades to come.

Immediately after he left the U.S. State Department in mid-January, 2011, Goldwyn resumed his post at Goldwyn Global Strategies and then got hired on with **Sutherland**'s office in Washington, a legal firm of over 400 attorneys spread over 6 offices in the U.S. Sutherland, which also acts as a lobbyist in Washington, has the following information page about Goldwyn on its website, that he:

works with Sutherland's Energy and Environmental Practice Group advising clients on legal and regulatory issues facing the energy and extractive industries. David's experience gives him a deep understanding of on offshore development, shale gas production in the U.S. and abroad, natural gas and liquefied natural gas (LNG) infrastructure, Canadian oil sands production, imports and pipeline issues, trade sanctions in the energy sphere, federal

government review of investments made by non-U.S. companies, and renewable energy initiatives.

On March 3, 2011, a Norwegian newspaper published an article, *Britisk spionsjef blir Statoil-radgiver*, about how petroleum giant Statoil just hired two influential men as advisors to sit on a new “strategic advisory committee” for the company’s international operations. It included Goldwyn. As this headline surfaced, stories about Goldwyn’s previous advisory involvement in Libya had just hit the newswires with the uprising in Libya to oust dictator Gaddafi.¹⁰ What grabbed media attention about the Statoil hiring was the other man on the new advisory board, former British MI-6 spy-chief boss **Sir John Scarlett**. The article stated that Statoil’s London office is primarily responsible for the multinational’s strategy and business development, and that its new James Bond man, who speaks fluent French and Russian with broad knowledge in geopolitical issues, served MI-6 in Nairobi, Moscow and Paris. Over a month later, media reports were out naming more men on Statoil’s advisory hire. Bloomberg reported on April 28, 2011 that former **Petroliaam Nasional Bhd** ceo **Hassan Marican** and economist **Joseph Stiglitz** were also on board.

Four months following GSGI Goldwyn’s “voluntary” departure from the US State Department, Secretary Hilary Clinton appointed ambassador **Carlos Pascual** as the next new Special Envoy and Coordinator for International Energy Affairs. The “whole-of-government approach” under the Global Shale Gas Initiative apparently resumed under Pascual’s appointment.

8-(5). The Shadows and Mr. Morningstar

On the afternoon of June 2, 2011, the Republican Congressman from Indiana, the chairman of the *US Foreign Affairs subcommittee on Europe and Eurasia*, was wearing a shiny pink tie, and was in a hurry to attend another event. As a serious sponsor of mining oil shales in the U.S., and a strong opponent to “overregulation” of the EPA, **Dan Burton** opened the subcommittee’s hearing on “European and Eurasian Energy: Developing Capabilities for Security and Prosperity” by repeating the phrase “not in my backyard”, over and over again.

Under this administration, the United States exemplifies this unhelpful “not in my backyard” mentality. We refuse to drill offshore, we refuse to drill in Alaska, and we refuse to embrace new technology such as hydraulic fracturing to extract large deposits of oil and gas from shale. Instead, the United States chooses to rely on unstable foreign sources of energy, including regimes dedicated to advancing the polar opposites of our democratic ideals.

American energy policy should be seamless at home and abroad. Our goals overseas should be our goals here in the States. Instead of the “not in my backyard” mentality, the United States and Europe must develop an all-of-the-above policy that combines economically viable sources of renewable energy with environmentally responsible development of fossil fuels. Moreover, we should achieve understanding with our closest European partners that a diversified energy market will protect economies from unwanted political influence and increase connections between like-minded nations.

Subcommittee Pennsylvanian Republican Congressman **Tom Marino** then weighed in. Marino was born and raised in Pennsylvania’s Lycoming County, where Chief Oil and Gas, the company that

¹⁰ I.e., *U.S British officials benefited from thaw in Libya relations*, NBC News, February 28, 2011.

hosted David Goldwyn's GS&I international representatives on August 26, 2010, has its shale gas interests. A May 30, 2011 article in the Times Leader, *Fracking Control debated*, states that Marino is opposed to federal regulations that would impose on fracking operations in Pennsylvania. An April 5, 2011 entry in the blog Daily Kos, Typical teabag: *Tom Corbett refuses to tax or regulate shale gas industry in PA*, "Pennsylvania remains the only state that refuses to tax shale gas revenue," says of Marino:

Interesting, though, the United States has the capacity to be a large part of the energy solution for Western Europe. Increased interest in unconventional natural gas production on both sides of the Atlantic holds great promise, accounting for nearly 25 percent of our domestic natural gas production, and Western Europe nations which had been overly reliant on Russia for natural gas are evaluating whether to develop their own substantial shale gas resources.

In addition to enormous shale gas reservoirs in places like Poland and the Ukraine, my Congressional district, the 10th District of Pennsylvania, sits atop a large portion of the Marcellus Shale, where natural gas is being produced. I am already familiar with many of the positive benefits that the unconventional gas drilling industry can yield. To date, there has been a huge amount invested in and around my district to develop the industry and the accompanying infrastructure. This investment has brought good jobs to our area at a time when Pennsylvania needs them the most.

As Pennsylvania strives to develop the best practices and become the architect for the unconventional gas industry in America, I am particularly interested in how knowledge of gas development, the tools and techniques used to extract gas in the most environmentally accepted manner, as well as new uses for gas for transportation, fuel for example, can be shared on both sides of the Atlantic to ensure a more energy independent future in both the United States and our European allies.

Special Eurasian Energy Envoy Richard Morningstar was one of the subcommittee's four witnesses for the afternoon sitting. Alongside Morningstar were (ambassador) Keith C. Smith with the **Center for Strategic and International Studies** and the **New European Democracies Project**, Ariel Cohen with the **Heritage Foundation** and the **Kathryn and Shelby Collum Davis Institute for International Studies**, and Ross Wilson with the **Atlantic Council** and the **Dinu Patriciu Eurasia Center**.

Morningstar:

So, how are we going to achieve our energy security goals? First, natural resources are produced, transported, bought and sold primarily in the private sector, but governments can play a role by creating the right economic climate for commercial activity to prosper. We can be facilitators.

Regarding Ukraine, through the U.S.-Ukraine Commission on Strategic Partnership and the U.S.-Ukraine Energy Security Working Group, we continue to encourage Ukraine to make the necessary measures to attract foreign investment and to make the necessary reforms to qualify for international financing, which will allow it to modernize its gas transit system. There is no reason why Ukraine can't become energy secure and energy dependent through the development of its own conventional and unconventional resources. But to do that, it has

to follow through on creating the proper investment climate for Western companies to offer financing and technology for these projects, and we think we are making some progress.

I might also add, partly in response to Mr. Marino's points, that in February 2011 we signed the U.S.-Ukraine memorandum of understanding on unconventional gas resources to help them in the process of developing shale, which we are also doing with other countries such as Poland and particularly other Eastern European countries and other countries in the rest of the world.

With respect to Central and Eastern Europe, we have worked very closely, I have probably spent more time with Central and Eastern European countries than anybody else, very closely with Central and Eastern European States in their efforts to come up with a balanced energy strategy and diverse energy sources and to encourage them to work toward a common energy market in Europe.

Not keeping with his prepared statement to the subcommittee, former ambassador Keith Smith made some frank and disturbing opening remarks about corruption in the world's energy markets:

I have been at various committees before talking mainly about the issue of the supply of gas and oil from Russia to Central Europe. But my concern nowadays has refocused to some extent on the question of corruption and transparency, because I believe that while diversity of supply is important, part of the problem and a big part of the problem, quite frankly, in Central Europe and especially in east Central Europe, but not exclusively in east Central Europe, is a question of transparency and corruption in the energy trade.

It takes you back to—I am old enough to remember when the U.S. bank robber Willie Sutton, they kept asking him why he kept robbing banks and get(ing) caught. His answer was, Well, that is where the money is. Quite frankly, the corruption around the world is generally, in large measure, in the energy trade. And that is where the money is.

The essence of Mr. Smith's evaluation about corruption and cronyism is the strong theme that cascades through Robert Bryce's book, *Cronies: Oil, The Bushes, and the Rise of Texas, America's Superstate*, in how the energy titans in Texas and neighbouring petroleum states have largely and consistently controlled American legislators, public laws and regulations over the last 60 or more years.¹¹

¹¹ For more on Bryce, see the beginning of chapter 5 on the Baker Institute.

9. MR. SMITH'S MISSION: THE INTERSTATE OIL AND GAS COMPACT COMMISSION COMES TO EUROPE

In reference to how state regulators in the US are regulating the shale gas industry Mr. Smith's talk at the Global Shale Gas Summit in Warsaw, Poland centered around the main risk issues for state regulators in the US. He pledged to show how his organization is addressing those and how they're evolving, in hopes that the Polish shale gas industry could learn from the US example.

Mr. Smith explained that the Commission is comprised of 38 states, as well as associate member states. "And we also have international affiliate members," he explained, "who participate with us but can't vote. We are the regulators."

*In the US, he said, **the states are the ones that have jurisdiction over shale gas**; the federal government regulates operations on federal and tribal lands, but everything else is handled by the states.*

"We're on the cutting edge," said Smith, "as we work with landowners and other interested groups to make sure the regulations are fair and sound."

(NGFE Reports: Risky Business - North American regulator pledges to address risks in shale gas development, July 25, 2010, in Natural Gas Europe website)

Mike Smith, one of the conference speakers in Warsaw on April 8, 2010 who appeared alongside U.S. government representatives, is the executive director of the Interstate Oil and Gas Compact Commission (IOGCC). Smith's inaugurating presence on the European continent ushered a new symbolic threat to the EU in the wake of the unconventional fracking invasion. It concerns the EU's primacy directive to implement and police consistent EU-wide policies on fracking, and how the government of Poland became a strong lobbyist in 2011 against EU interference on Poland's pro-fracking position, especially during Poland's ascendancy to the EU's Presidency in 2011.

Smith was appointed the high ranking and executive decision-making position of the IOGCC on March 18, 2008. The following resume from the IOGCC's news release:

Smith will be responsible for providing advocacy, coordination, education and strategy to the IOGCC's 30 member and eight associate states on key domestic energy issues.

"Michael Smith brings to the IOGCC extensive leadership and expertise rooted in energy issues at both the state and national level," said Alaska Gov. Sarah Palin, IOGCC 2008 chairman. "I am confident that Mr. Smith is well prepared to advance the interests of IOGCC's member states, which are to conserve and maximize the nation's oil and natural gas resources that are so vital to the country's energy, economic and national security."



Mike Smith and Sarah Palin

*From 2002 to 2004 Mr. Smith served as assistant secretary of fossil energy for the U.S. **Department of Energy**. He served as the primary policy advisor to Secretary Spencer Abraham on federal coal, petroleum, and natural gas programs, including extensive research and development efforts. Smith's responsibilities included overseeing an organization of nearly 1,000 scientists, engineers, technicians and administrative staff in two national laboratories, four field offices and at DOE's headquarters in Washington, D.C. He was responsible for several high-priority presidential initiatives*

Mr. Smith's international experience includes service with the secretary general, Ministry of Science and Technology, People's Republic of China as a co-chair of the US-China Oil and Gas Forum and as chairman of the policy group, Carbon Sequestration Leadership Forum (CSLF). CSLF is a Bush Administration initiative with a 21 country membership seeking technical solutions to the capture and storage of carbon dioxide from energy generating facilities. Additionally, he led U.S. bilateral fossil energy protocols in Australia, India, Norway and Russia.

*From 1995 to 2002, Mr. Smith served as **Oklahoma's secretary of energy** in the cabinet of former Gov. Frank Keating. He was responsible for fossil energy policy and oversight of seven major state energy agencies and commissions. He served as the **governor's official representative to the IOGCC, the Southern States Energy Board, the Interstate Mining Compact Commission and the Governors' Ethanol Coalition**. He served IOGCC as its vice chairman in 1999.*

*Mr. Smith served as **president of the Oklahoma Independent Petroleum Association**¹ in 1994 and operated an independent oil and gas exploration company based in Oklahoma City. He practiced energy law and earned Bachelor of Arts and law degrees from the University of Oklahoma.*

Texas Republican Governor Rick Perry, who was nominated as IOGCC chair on November 9, 2009, summed his scripted version of IOGCC's role in his press statement of October 5, 2009:

*IOGCC was founded in 1935 as a multi-state agency to protect states' rights, especially the right for state regulation of oil and gas resources, with a different governor from each member state serving as chairman each year. The commission works to ensure that the nation's oil and gas resources are conserved and maximized **while protecting health, safety and the environment**. IOGCC also acts as an advocate for the states in Washington D.C., and is **heavily involved in setting national energy policy**. Currently, the IOGCC is focused on keeping the regulation of carbon sequestration and hydraulic fracturing at the state level, as a one size fits all approach would not be successful.*

Texas' energy industry fuels the nation, supplying 20 percent of the nation's oil production, one-fourth of the nation's natural gas production, a quarter of the nation's refining capacity, and nearly 60 percent of the nation's chemical manufacturing.

¹ An article, *OIPA's Leadership Spans Decades, Changes Legislation*, included in a 2007 publication by the Oklahoma Energy Resources Board, *Oklahoma - Where Energy Reigns*, describes Smith belonging to "a group of oil and gas "young lions" that would shape the organization's policy and political positions for more that two decades."



The image (from Google Earth) shows the location of the IOGCC's headquarters, close to Oklahoma's State capital building, and across the street from Devon Energy's oil and gas museum.

In lieu of the public controversies related to fracking in the U.S., a December 13, 2010 investigative article by ProPublica, *Some Appointees to Oil and Gas Commission Are Industry Execs, Lobbyists*, asked some hard questions about the internal politics of the IOGCC concerning industry lobbyists within the inter-state organization, straight-forward questions which made some of the members feel rather uneasy about being in the media spotlight.

The 38-state commission was created in 1935 to promote the efficient harvesting of oil and gas. Its mission was later expanded to acknowledge the need to protect health, safety and the environment while accomplishing that goal. It is funded by government grants and fees from the states. The commission members are appointed by the member governors. Most are state regulators who oversee gas and oil drilling, but at least seven states have representatives who are either lobbyists or energy executives.

(Joseph) **Petty** (owner of **Petty Oilfield Services Inc.**) is the official representative for West Virginia (and a third-generation driller who lobbies the government on behalf of energy companies); (Thomas E.) **Stewart** is an associate representative for Ohio; lobbyist **Robert W. Harms** is an associate representative for North Dakota; **James R. Daniels**, the general manager of **Murfin Drilling Company**, is an associate representative for Kansas; **William S. Daugherty**, CEO of natural gas company **NGAS**, is Kentucky's official representative and **D. Michael Wallen**, also of **NGAS**, is its associate representative; **Rick Calhoon** of **Pruett Oil** and **Charlie Williams Jr.** of oil and gas production company **Vaughey & Vaughey** are associate representatives for Mississippi; and Steven C. Agee of **Agee Energy LLC** is an associate representative for Oklahoma.

Both official and associate representatives participate in committees, said commission executive director Mike Smith, although associate representatives vote on policy recommendations only if the official representative isn't available.

The commission's recommendations have enjoyed substantial credibility in the debate over hydraulic fracturing, or fracking, the controversial natural-gas extraction technique that the commission has deemed to be safe. The IOGCC authored an oft-cited 2002 survey that determined that nearly 1 million wells had used fracking "with no documented harm to groundwater" in its member states.



When asked by ProPublica if he felt his dual affiliations presented a conflict of interest, Stewart, the associate representative from Ohio, answered with a one-word e-mail: "No." A few minutes later he sent a second e-mail asking this reporter if she felt it was a conflict of interest to present herself as a journalist.

Harms, the lobbyist who is the associate representative for North Dakota, said that while he believes that government agencies should avoid "even the appearance of impropriety," he doesn't think his participation in the IOGCC counts as such. "The organization is not an advocate for the industry," said Harms. "It primarily contains state regulators, and those are the people who run the show."

Agee, the Agee Energy president who is an associate representative for Oklahoma and also an economics professor at Oklahoma State University, echoed Harms' statement. "I don't think it's a conflict," he wrote in an e-mail. "The governor chooses well-informed representatives that act in the best interest of the state."

The other official and associate representatives contacted for this article did not respond to requests for comment.

Exactly how the presence of gas and oil interests might affect the agency's resolutions is difficult to determine, because little information about the organization's inner workings is accessible to the public. When Smith was asked whether having industry representatives on the commission raised potential conflicts of interest, he referred that question to the member governors.

A spokeswoman for Gov. Mark Parkinson of Kansas said in an e-mail that "it is beneficial to appoint members to boards or commissions with related experience in the industry or field to help bring perspective." She also noted that the decision to appoint a drilling company manager to fill one of the Kansas slots was not made by Gov. Parkinson.

The six other governors with representatives known to be industry executives or lobbyists did not respond to requests for comment.

Last year I began investigating the IOGCC's history as a multi-state government agency and its key strategic role behind the "Halliburton Loop-Hole", the exemption of unconventional hydraulic fracturing from the U.S. federal *Safe Drinking Water Act* and the *Clean Water Act* legislations through the controversial passage of the July 29, 2005 *Energy Policy Act* (Public Law 109-58). As an IOGCC representative stated in 2005 regarding the inter-state Commission's involvement behind the staging of the Loop-Hole exemption, it involved "several years of hard work".²

I became more interested in the IOGCC and its role in this, in part, because Canada's three western provincial governments of British Columbia (the B.C. Oil and Gas Commission),³ Alberta (ERCB),⁴ and Saskatchewan, along with other eastern provinces, Newfoundland, Labrador, and Nova Scotia, are affiliated with the IOGCC, and their affiliation therefore involves them in cooperative sharing of, promoting, and practice of the IOGCC's policies.

On the IOGCC's website in 2010, under *Hydraulic Fracturing*, was the following assessment of the term (more commonly substituted by the world-popular and now most cited internet word, "fracking") and a rather skewered interpretation of its more recent history:

Hydraulic fracturing is regulated by the states. IOGCC member states each have comprehensive laws and regulations to provide for safe operations and to protect drinking water sources, and have trained personnel to effectively regulate oil and gas exploration and production.

On March 5, 2009, the IOGCC hosted two briefings on Capitol Hill to explain state regulation of oil and natural gas. The presentation included an explanation of hydraulic fracturing and how existing state regulations prevent contamination of drinking water resources during hydraulic fracturing operations.

Is Hydraulic Fracturing Safe?

In 2004, the U.S. Environmental Protection Agency completed a study of the environmental risks associated with the hydraulic fracturing of coal bed methane wells. The EPA concluded that the injection of hydraulic fracturing fluids poses little or no threat to underground sources of drinking water.

Although thousands of wells are fractured annually, the EPA did not find a single incident of the contamination of drinking water wells by hydraulic fracturing fluid injection.

Additionally, IOGCC member states have all stated that there have been no cases where hydraulic fracturing has been verified to have contaminated drinking water.

² *Congress Passes IOGCC's Legislative Fix for Hydraulic Fracturing: Historical Overview*, in the IOGCC's September 2005 newsletter edition of *Compact Comments*. The quotation and reference is also cited in Hanna Wiseman's Spring 2009 Fordham Environmental Law Review article, *Untested Waters: The Rise of Hydraulic Fracturing in Oil and Gas Production and the Need to Revisit Regulation*.

³ The **BC Oil and Gas Commission** (which regulates the oil and gas industry in British Columbia) was listed as an official conference sponsor, alongside the other sponsors Enbridge, Marathon, BP, ExxonMobil, Penn Virginia Corporation, Rex Energy, IOGA West Virginia, in the IOGCC's May 23-25, 2010 *Midyear Issues Summit* conference held in Lexington, Kentucky.

⁴ Alberta (not surprisingly) became the first such affiliate in 1996, and thereby dragged in the other Canadian members. The timing of Alberta's membership is just when the petroleum industry began strategic lobbying for the development of Alberta's tar sands, through the efforts of the petroleum industry's and Eric Newell's Oil Sands Task Force.

Congressional Action

*The **Energy Policy Act** of 2005 (EPACT), section 322, amended the **Safe Drinking Water Act** (SDWA) to change the definition of “underground injection” to exclude “the underground injection of fluids or propping agents (other than diesel fuels) pursuant to hydraulic fracturing operations. The amendment exempted hydraulic fracturing from federal law and gave jurisdiction and authority over hydraulic fracturing operations to the states. Bills were introduced into the House and Senate in June of 2009 to repeal this exemption and place the regulatory jurisdiction in the hands of the federal government.*

*The IOGCC passed a resolution in December of 2008 urging Congress to refrain from taking such action maintaining that SDWA was never intended to grant the federal government authority to regulate oil and gas drilling operations and production operations, such as hydraulic fracturing, under the **Underground Injection Control Program**. Since that time, several states have followed suit and filed their own resolutions including Alabama, Louisiana, North Dakota, Oklahoma, Utah and Wyoming.*

*“As the head regulator of oil and natural gas development in the state of North Dakota and an officer of the IOGCC representing all oil and natural gas producing state regulators, I can assure you that we have no higher priority than the protection of our states’ water resources,” said Lynn Helms, director of North Dakota’s Department of Mineral Resources in a House Energy and Mineral Resources Subcommittee hearing in June of 2009. **“It is my firmly held view and that of the IOGCC that the subject of hydraulic fracturing is adequately regulated by the states and needs no further study.”***

The IOGCC’s mission statement about its members caring for the “environment” was essentially negated, trashed in a statement made by S. Marvin Rogers, chairman of Alabama’s State Oil and Gas Board, and member of the IOGCC Legal and Regulatory Affairs Committee, in a 2009 document, *History Of Litigation Concerning Hydraulic Fracturing To Produce Coalbed Methane*. In it Rogers states on page 5: **“Coalbed methane resources and oil and gas resources are too valuable to this country to be burdened by unnecessary environmental laws that prevent oil and gas production.”**



Not only did that statement contradict the IOGCC’s land and public stewardship identity, it also called into question the **U.S. Department of Energy’s** partnership with the IOGCC. On the DOE’s website, under *Oil & Natural Gas Projects: Collaborative Streamlining with States*, was the following statement in 2010: *“IOGCC has been a partner with DOE on a great many projects. These two entities share many common goals. Two principal IOGCC foci are conservation and environmental protection—goals shared by DOE.”*

The caring-about-our-environment-and-public-water-resources facade was featured in a testimony by Lynn Helms on June 4, 2009, presented before the House Committee on Energy and Commerce.

I am the Director of the Department of Mineral Resources of the Industrial Commission of the State of North Dakota. I am here today representing the Industrial Commission, the State of North Dakota, and other member states of the Interstate Oil and Gas Compact Commission (IOGCC) to express my views as a state regulator on



development of shale gas in the United States and as to the outstanding job that states are doing in regulating the development of this most important national resource.

The 30 member states of the IOGCC are responsible for more than 99% of the oil and natural gas produced onshore in the United States. Formed by Governors in 1935, the IOGCC is a congressionally chartered interstate compact. The organization, the nation's leading advocate for conservation and wise development of domestic petroleum resources, includes 30 member and 8 associate states. The mission of the IOGCC is two-fold: to conserve our nation's oil and gas resources and to protect human health and the environment. Our current chairman is Governor Brad Henry of Oklahoma.

*The highlight of IOGCC meetings since 1988 has been the **Council of State Regulatory Officials**. At meetings of this group, the top oil and gas regulatory official of every member state and every oil and gas producing **Canadian province**, or their designee, shares with the group the top issues in their state or province. Recommendations from other states that have or are working with similar issues are frequently solicited. This forum allows state regulators to respond to new issues very quickly, consistently, and collaboratively.... Another example of the efficacy of such a program is the frequent updates on the LEAF lawsuit and group discussions of the issues surrounding hydraulic fracturing in the United States that ensued.*

As the head regulator of oil and natural gas development in the State of North Dakota and an officer of the IOGCC representing all oil and natural gas producing state regulators, I can assure you that we have no higher priority than the protection of our states' water resources – let me repeat no higher priority.

It is my firmly held view and that of the IOGCC that the subject of hydraulic fracturing is adequately regulated by the states and needs no further study.

The stranglehold of the petroleum industry over oil and gas laws, regulations and policies in the United States is deeply entangled in the IOGCC. Ever since the introduction of national laws on energy and the environment in the 1960s and 1970s, the IOGCC has been there beside the petroleum corporations keeping a tight reign over and watch on environmental regulations, all for the almighty buck.

*In June 1965, the IOCC established its position on environmental issues through a resolution that favored regulatory development and enforcement “under the guidance of the **local regulatory authority** most directly involved and most familiar with local conditions and needs.”*

*Throughout the 1960s, the IOCC became the leading advocate for limiting oil imports; opposing certain wilderness designations; and favoring natural gas import limitations, price deregulation, and **state regulation of the resource**.⁵*

*An IOGCC publication entitled **Making A Difference, A Historical Look at the IOGCC** documents this early history of the organization. As stated in the booklet, at the time of*

⁵ *Making A Difference Interstate Oil and Gas Compact Commission - a historical look at the IOGCC, January 2006, pages 15, 16.*

*the creation of the IOGCC, “It quickly became clear that **strong opposition existed to any form of federal control of the oil industry.**” Id. at page 6. In fact, the member-states of the IOGCC worked diligently through its history to ensure that the states would regulate oil and gas operations. From the earliest days of the IOGCC, state oil and gas regulatory commissions regulated all aspects of oil and gas operations, and when secondary recovery operations were commenced, it was the state commissions that regulated those oil and gas operations.*⁶

In 1991, the former name of this organization, the **Interstate Oil Compact Commission (IOCC)**, morphed into becoming the IOGCC to have the Compact incorporate and embrace the rising exploration and development of unconventional natural gas from Coal Bed Methane (CBM), and the speedy construction of new inter-state gas infrastructure pipelines and new pipeline company associations that resulted from the CBM developments.

*The “regulatory void” that surrounds the management of wastes associated with E&P (Exploration & Production) operations is the result of a myriad of factors, including numerous political and historical influences. There is no doubt that this void is largely the result of intense lobbying by the oil-and-gas industry that has occurred over the decades since our nation first began to codify environmental law. Nor is there any question that the oil-and-gas production industry enjoys unique regulatory exemptions that result in significant risks to human health and the natural environment. These risks have nevertheless been tolerated in the name of protecting the economic viability of an industry whose solvency can hardly be seen as being threatened.*⁷

9-(1). Alabama’s and Colorado’s/New Mexico’s Unconventional Legacies

The unconventional CBM horizontal fracking technology and discoveries began in Alabama and in the Colorado/New Mexico San Juan Basin in the early 1980s where citizens had their well water contaminated/ poisoned from CBM fracking later that decade, and where enormous volumes of untreated formation water was being recklessly dumped onto lands and into streams and rivers. This experimental fracking period is when petroleum companies operating there, and those that were about to operate elsewhere, were most likely getting key internal legal instructions and advice about public liabilities and possible legal suits, and is when a number of non-disclosure (confidentiality) agreements occurred with affected parties in aid of keeping a tight sealed lid on the controversial problems about fracking that were about to escalate throughout America. In general, the CBM era unleashed a new hell upon many Americans and the ecology. I.e.:



⁶ Part 1: Analysis of the U.S. Safe Drinking Water Act Relating To Carbon Capture and Geologic Storage. Prepared by S. Marvin Rogers, IOGCC Task Force on Carbon Capture and Geologic Storage. Undated.

⁷ James R. Cox, *Revisiting RCRA’s Oilfield Waste Exemption as to Certain Hazardous Oilfield Exploration and Production Wastes*, 14 Villanova Environmental Law Journal, 1, 2 - 2003.

*My name is Ed Swartz, I am a third generation rancher, who has successfully operated a cattle ranch in Wyoming's Powder River Basin. I hope to pass this ranch onto my son and grandson to continue operating this great ranch, unfortunately, myself and other ranchers and landowners in the Powder River Basin are facing very real and destructive impacts from CBM development. The Powder River Basin of Wyoming is, according to industry, **the site of the largest gas development in the country**. Unfortunately, there has been nothing orderly about this development, with the possible exception of the collection of revenues. While I and fellow ranchers have faced bad economic times, drought and other mining booms, nothing has presented the kind of challenges and damaging impacts to our soil, water and lifestyle as the CBM development.*

The extraction of coalbed methane development is mostly experimental and the Powder River Basin has actually been referred to by industry representatives as a laboratory. Why should we, who call this place our home be guinea pigs? We are watching our homes and ranches transformed into an industrial gas field. There are about 14,000 CBM wells permitted, around 6,000 producing and the BLM predicts up from 80,000 to 100,000 wells by 2010. The development of CBM is primarily being carried out on the backs of landowners that have essentially no say in how the development can proceed. We are being required to sacrifice our ranches, our water resources, our soil, our privacy, the wildlife—which also provides an income to many landowners - and our livelihoods. The direct, indirect and potential impacts to landowners is requiring us to spend thousands of dollars on attorneys and experts to try and protect our property.

I am not the only one that is having this problem. There are other ranchers that are having problems with water coming down the creek. It has killed some of their meadows. It has killed several hundred-year-old cottonwood trees on Bill and Marge West's places. There are all these other problems, too. There is the noise problem, compressor noise put out, a compressor built 8 miles in the country where there is a large subdivision, and it ruined those people's peace and quiet. It is just kind of like there was a jet motor running 24 hours a day, 365 days a year, that they had to sit and listen to. One retired gentleman, a retired school administrator named Ron Moss, has everything he has invested in there. He wanted to have a peaceful, quiet place in the country, and then here comes the methane and the compressor. It has really bothered him.⁸

Alabama was heavy-handedly, politically influenced by, and in the iron grips of **U.S. Steel Corporation** (later renamed as **USX Corporation**), a large and powerful American corporation with extensive private land holdings of coal reserves which it leased to petroleum companies, like Amoco Production Co., which experimented with and developed CBM.⁹ In the early 1980s, Alabama had “the largest number of privately owned municipal gas distributors in the United States.”¹⁰ The practices and technologies that developed in Alabama, New Mexico and Colorado, along with all the attending environmental cumulative effects problems, were exported to other

⁸ *The Orderly Development of Coalbed Methane Resources from Public Lands*, September 6, 2001, pages 42-45. Oversight Hearing before the Subcommittee on Energy and Mineral Resources of the Committee on Resources, U.S. House of Representatives, 107th Congress, First Session.

⁹ U.S. Steel Corporation had been drilling experimental methane gas wells in Alabama's Jefferson County since 1976 through federal government assistance.

¹⁰ Tuscaloosa News, *Alabama's abundant energy resources not tapped*, March 14, 1982.

American States and internationally.¹¹

In 1988, Alabama Tuscaloosa County resident Rubin McMillian and his wife had their well water poisoned. McMillian's lawyer, David Ludder, stated in a report he released in 1999, *A Decade of Efforts to Protect Alabama's Underground Sources of Drinking Water from Contamination by the Methane Industry*, that toxic-based stimulation fluids began to be used in Alabama for fracking operations in 1988. In his report, he included a table of 50 fracking fluid chemicals with assessments on toxicities. Since 1988:

approximately three-quarters of the coalbed methane wells completed in Alabama have been stimulated with cross-linked gel. Gel is a mixture of water, thickener, and breaker, whereas cross-linked gel is a mixture of thickener and another substance, generally sodium borate or boric acid. Polymers are mixed with water Breaker fluids, such as enzymatic compounds and sodium persulfate, are used.

Ludder, a lawyer with Tallahassee, Florida-based **Legal Environmental Assistance Foundation (LEAF)**, was the former acting head of Alabama's Department of Environmental Management's legal division in the early 1980s. He summarized McMillian's complaint:

In 1988, Ruben DeVaughn McMillian, a LEAF member, complained that immediately after the injection of hydraulic fracturing fluids at a nearby coalbed methane well, his private water well, which had always produced abundant and clean water, became contaminated. Long "strings" of a black oily substance flowed from his tap. A strong sulphur smell emanated from the hot shower head. His wellhouse rumbled and hissed. Eventually, Mr. McMillian had to purchase and install a \$3,000 water filter system to ensure that his water was safe to drink.

At least a dozen other Alabama residents have complained that coalbed methane production activities have caused a degradation in the quality of the water produced from their drinking water wells. To silence others, landowners often evicted or threatened to evict those that complained. Complaints have also been made in Virginia and Colorado where coalbed methane production is practiced.

Rubin McMillian was concerned and outspoken on environmental issues in Alabama, and had the courage and wherewithal to make the controversial CBM fracking operations public. Others chose not to, and others were silenced.

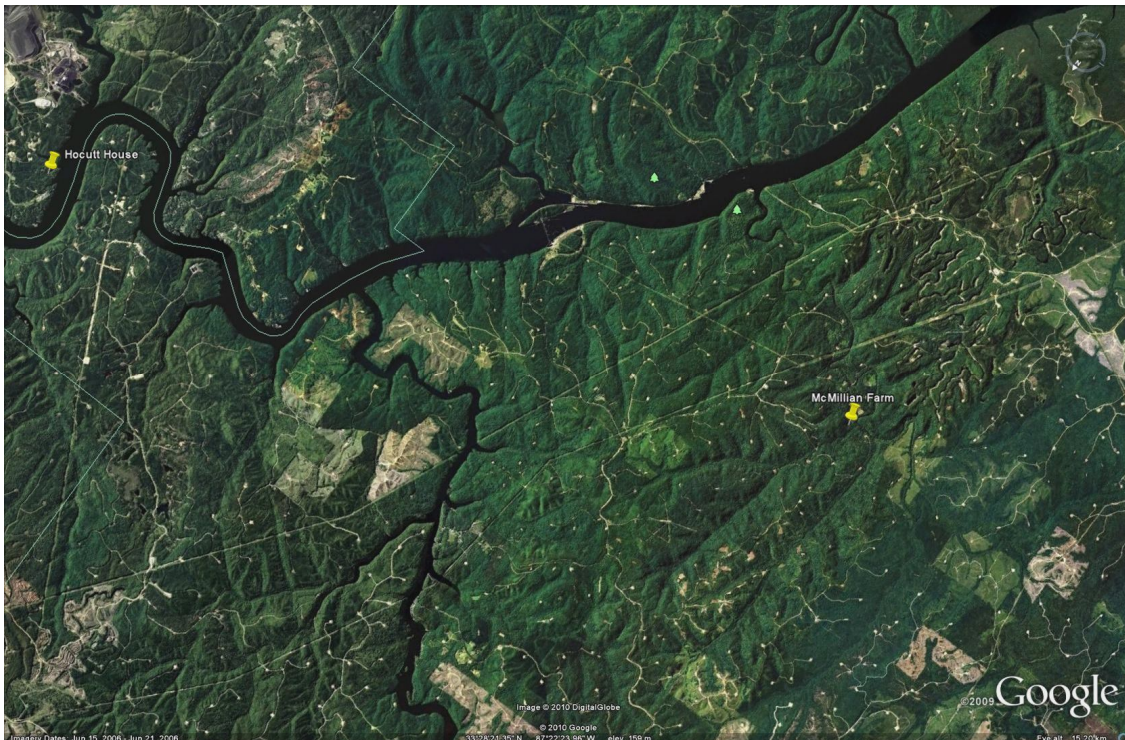
One of the "others" in Alabama in the late 1980s included Peggy Hocutt from Jefferson County, who lived some 10 miles east of where the McMillians got their aquifer fracked/contaminated. Her ill health infections and ordeal from well water contamination was later summarized in a long testimonial letter sent to New Mexico Senator Jeff Bingaman, the former chairman of the US Energy & Natural Resources Committee, wherein she urges the Senator **"not to sponsor the Bill to exempt the oil and gas industry from *The Safe Drinking Water Act*:"**

¹¹ Some of the early initiating environmental concerns were raised in a legal article in 1984 by the late Alabama law professor Harry Cohen, *Developing and Producing Coalbed Gas: Ownership, Regulation, and Environmental Concerns*.

The oil and gas industry is not telling the truth about well contamination resulting from coalbed methane development. Just because the industry does not document cases, is no reason to believe they don't exist. The main reason that most of the general public is not aware of well contamination due to coalbed methane development, is because most people don't have the slightest idea of what a methane gas well is, or an underground aquifer, or the important part it plays in a water well, especially when a methane gas well is fractured.

*Our problems started when **The State Oil & Gas Board**, Tuscaloosa, Alabama, issued Permit #5946-C., to **USX-Amoco Oil Production**, in September, 1988. The water used in fracturing this gas well was drawn from an abandoned strip mining lake, which had been used for a landfill for years. Everything from old roofing, trash, creosote lumber, raw household garbage, industrial wastes, junk cars, tires, batteries, paint and oil cans, herbicide and pesticide containers, and dead animals, was dumped in the lake. During the fracture of this particular gas well, I saw trucks there many times filling their tanks and delivering the water to the methane gas well site I am going to tell you about.*

*This gas well was hydraulically fractured with **radioactive sand proppant**, and tagged with radioactive material. The Board's approval was primarily based on the absence of water wells in the immediate area, but our house and our water well were located at 720 Big Bend Trail, Adger, Alabama 35006, which was well within the immediate area. This well was fractured in the fall and winter of 1988-1989. The men who worked in the test laboratory at the drilling site, wore special clothing, and their laboratory bore a radioactive logo.*



This image from Google Earth (aerial photo dated June 21, 2006) shows the locations (marked in yellow pins) of the Hocutt and McMillian residences in Jefferson and Tuscaloosa Counties (respectively), and the dammed Black Warrior River in the upper portion. Tuscaloosa City is located beyond the upper right hand corner of the photo. The distance of geologic separation between the Hocutt and McMillian residences is about 8 miles as the crow flies, and the area of the photo map is 10.8 by 6.8 miles, or some 73.5 square miles. Notice the small white dots that permeate the photo area. These are the locations of about 300 coalbed methane well sites.

We had 65 feet of water in a 110 foot well that had always been wonderful, but within a short time, it turned the same Coca Cola rusty brown, with long slimy tags of gunk that floated in a pitcher, when I filled one. It ruined everything it touched. We had to buy our drinking water and send our clothes to the laundry. Every shower bath left us feeling like we were covered in an oil slick.

*By 1989, I was experiencing episodes of severe stomach cramps, vomiting, diarrhea, fevers and unexplained rashes which sent me to the emergency room and to the hospital several times. I was finally diagnosed with **diverticulosis**. I also experienced sudden and unusual, urinary infections. My urologist was baffled. He told me that something had traumatized my bladder, just what, he did not know.*

My neighbor had the same experience with her water well. She said it smelled so much like petroleum, she was afraid it was going to explode. She called and officials from the Oil and Gas Board came. They accused her of pouring crude oil in her drinking water well. A reporter interviewed her and made a photograph of her holding a jar of her water. She mentions a neighbor who is having the same problems. I am that neighbor.

The equipment at the gas well sat idle from July 1989, until the pre-dawn hours one morning in March, 1991, when I awoke to the sound of voices, and heavy equipment, motors and the clanking of chains and metal against metal, coming from the gas well site. The next morning, when I looked in that direction, all of the equipment was gone....including a 500 gallon tank of diesel fuel, used to run a generator. Shortly afterward, I turned my dishwasher, and faucets on, and got huge globs of black, jellied grease, bearing the strong odor of petroleum. I no longer wondered, but knew at once, that my suspicions were correct, and that the underground aquifer, which supplied our drinking water well was affected by the fracture of the gas well and that I, and my family, were the innocent victims of drinking and bathing in water, contaminated with toxic chemicals and radioactive materials, plus the filthy, bacteria filled water, drawn from the strip mining lake. A nagging fear about our health, was forever imprinted in my mind. It will never go away.

Something else happened at the gas well site too. Special efforts were immediately taken to bulldoze the whole area, cover it with a thick layer of soil, and plant grass, then huge piles of rocks and dirt were bulldozed to block the entrance of the road leading to the gas well site, and grass was planted there as well. The USX-Amoco, sign disappeared too.

***April, 1991.** I had a mammogram with good results, but was still having severe attacks of diverticulosis.*

***February, 1992.** I had breast cancer, a radical mastectomy, and five years of treatment.*

***March, 1992.** My neighbor, who had complained about her well, had breast cancer, and a radical mastectomy. She also had a cancer surgically removed from her nose. Later on, she had a cancerous nodule removed from her breast scar tissue, and took thirty-three radiation treatments. Later on, about 1995, she was hospitalized and in isolation for several weeks before a doctor from CDC, diagnosed her with a very rare Herpes Pneumonia, (Shingles in her lungs). Last year, she expressed to me again, her firm belief, and her fear, was that her cancers, and the Herpes Pneumonia, were caused by drinking her well water, which was contaminated by the fracture of the methane gas well, but that her fear of USX, retaliating*



Photo from an undated pdf document on the internet called "Welcome to Alabama! The Redneck Riviera, a pro-CBM-fracking document, which ridicules the LEAF litigation. The caption next to the above photo taken somewhere in Alabama reads: "public reaction to drilling operations prompts series of community education meetings."

against her family, like it did ours, was so great, it kept her from trying to do anything about it legally.

My brother and my sister-in-law lived across the street from us and also shared our water well. In May, 1992. My sister-in law, had several skin cancers surgically removed. Since then, she has had numerous cancers surgically removed from different areas of her head and body. In August, 1992. My brother was diagnosed with prostate cancer. He had surgery. He later had a cancer removed from his ear.

November, 1992. *Another neighbor on my street, had colon cancer. He took a year of therapy. All of us lived well within the immediate area of the USX-Amoco gas well, where the Board said no water wells existed. Since then, there has been five more cases of cancer, with three deaths in the same small area. The neighbors were reluctant then, and they still are, to speak out about contamination and pollution period, because the land they live on is leased from USX Corporation, and some of them either still work, or they are retired from it, and they are afraid of retaliation, and rightly so.*

September, 1994. *We received a mandatory notice from USX Corporation. "Yes," I want to live on USX Lands, or "No," I do not want to live on USX Lands. Our lease did not expire until December 31, 1994, but in October, 1994, we received a new "License Agreement." The new document was eighteen pages and forty-nine paragraphs of legal jargon, which mainly stated that if we did sign it, we would drop all lawsuits, and we would*

have no recourse in the event that we, or any member of our family, was injured, or died, due to any operations being carried out by USX Corporation, or it's Agents, on USX Lands, and that we would have no recourse as far as pollution or contamination on USX Lands was concerned, and that we would offer no resistance should USX corporation, with or without reason, inspect our premises at any time, day or night, and that our License Agreement, could be terminated, without reason at any time, and that USX Corporation, had the right to confiscate our personal possessions and sell them.

We refused to sign this third world document, and when we didn't, USX, entered a summary judgment against us and the judge agreed that we didn't have the right to live on USX Lands, if we didn't sign the new agreement, so we were given thirty days to move forty-four years of family possessions. We were not allowed to sell our home. We wanted to give our home to a worthy family. We were not allowed to. USX Corporation wanted us and our home, removed from the area period, and intended to use us as an example to show the mighty power it held. We could not move our home, because it was immovable, and if we could have, the financial burden would have been too great. We lost our forty-four year investment. USX also demanded, if we did move our house, that the land be put back into the condition it was when we first leased it in 1952. That task would have been impossible. The new License Agreement was created by USX Corporation lawyers, to use against us and the rest of the people living there, and anyone who might live on it's lands in the future. ...people are not too prone to buy a house there now.

You are probably wondering why we didn't move away. We couldn't. That was our home, a part of our life, and we were nearly sixty-five years old and had hoped to be able to spend our retirement years there. We could not just walk away (or thought we couldn't), and leave our investment. Our home was very comfortable, it was the environment around it that was horrible.

***November, 1996.** After our eviction, our house was torn down a board at a time, until nothing remained except the skeleton. It stood for several weeks as a reminder to the other people living there to keep quiet or suffer the same fate. We were publicly ridiculed by a USX Corporation Land Agent, who said we were "deadbeats," and "slackers," who just didn't pay our bills, and that was the real reason we were evicted.*

9-(2). LEAF Takes on the Big Petroleum Tree

Through a series of correspondence letters between LEAF and Alabama's State Oil and Gas Board beginning in April 1989, regarding LEAF's inquiries concerning Alabama's responsibility in adhering to the federal *Safe Drinking Water Act*, the Board replied on May 10, 1989 that hydraulic fracturing is not subject to the Board's regulatory requirements as an "underground injection," even though the agency had an underground injection control program issued to it by the Environmental Protection Agency (EPA) in 1983.

Apparently LEAF had threatened to file a lawsuit on behalf of the McMillians against the State of Alabama, but decided against doing so. Instead, LEAF took another legal route, a journey over the following 13 years that would elicit intense national attention by the petroleum sector and the IOGCC. The behind-the-scenes shenanigans in the LEAF versus EPA case, which evolved during the controversial eruption and onslaught of unconventional CBM developments in the U.S., would eventually force the EPA to conduct two national inquiries into fracking (hydraulic fracturing) from

2000-2004, and 2010 onwards. Ludder was out to crack the proverbial petroleum fracking nut - a politically explosive and sensitive issue - to ultimately make the federal government accountable through the EPA, on being a responsible steward over the nation's water resources that were being fracked.

Almost five years later, on March 4, 1994, LEAF petitioned the EPA to withdraw its permit approval of Alabama's underground injection control program, arguing that the state agency had been deficient in regulating the underground injection of toxic fracking fluids as required by the *Safe Drinking Water Act*. A year after that on May 5, 1995, EPA's Carol Browner wrote LEAF's Ludder denying the McMillian's Petition because the EPA had found that hydraulic fracturing failed to "fall within the regulatory definition of "underground injection" and because the "primary purpose" of coalbed methane wells is not underground injection." " ¹² Attached to the letter was a 19-page detailed response by the EPA.

The State of Alabama was not going to help the McMillians, nor any other water-fracked Alabamian, that much was clear. An important question was, why was the EPA, in charge of the *Drinking Water Protection Act*, acting much like the State of Alabama? Why was it quivering in its proverbial boots?

On June 19, 1995, Ludder took it to the next level, and filed a Petition with the U.S. Court of Appeals for the Eleventh Circuit to review EPA's May 5, 1995 order. Over two years later, on August 7, 1997, the U.S. Court of Appeals, Eleventh Circuit, released its findings. ¹³ On the EPA's website link, *Underground Injection Control Program*, under *Study of Potential Impacts of Hydraulic Fracturing of Coalbed Methane Wells on Underground Sources of Drinking Water*, is the following summary of the Circuit's ruling:

The 11th Circuit Court of Appeals ruled that hydraulic fracturing of coalbeds in Alabama should be regulated under the SDWA as underground injection.... Since the 11th Circuit Court's decision, EPA has contacted and been contacted by citizens who expressed concern that practices associated with methane gas production from coalbeds has resulted in contamination of USDWs. EPA has been asked to support legislation which would exempt hydraulic fracturing from SDWA. EPA will consider any comments on the data presented in the draft report before making further decisions concerning the potential regulation of hydraulic fracturing.

Ludder provided the following summary of the Circuit's findings in his report:

- (1) hydraulic fracturing of coal beds to produce methane gas constitutes "underground injection" under Part C of the Safe Drinking Water Act, id. at 1478;*
- (2) all underground injection is required to be regulated (by permit or rule), id. at 1474; and*
- (3) hydraulic fracturing associated with coalbed methane gas production is not currently*

¹² *A Decade of Efforts to Protect Alabama's Underground Sources of Drinking Water from Contamination by the Methane Industry*, by David Ludder.

¹³ 118 F.3d 1467, 45 ERC 1033, 27 Env'tl. L. Rep. 21,385, 11 Fla. L. Weekly Fed. C335. Legal Environmental Assistance Foundation, Inc., Petitioner, v. United States Environmental Protection Agency, Respondent. No. 95-6501.

*regulated under Alabama's underground injection control program. Id. at 1471.*¹⁴

What the EPA avoided summarizing to the public on its website about the court ruling is that the federal agency **ignored obeying the court order**, most likely due to continued executive political pressures within the federal government upon the EPA. 15 months after the Eleventh Circuit ruling, LEAF was “frustrated by EPA’s subsequent lack of progress in regulating hydraulic fracturing as underground injection:”

On November 23, 1998, LEAF filed a petition for writ of mandamus to compel EPA to implement the decision of the court in LEAF v. U.S. EPA. In response to LEAF’s petition and EPA’s opposition to the petition, the Court said: “[T]his Court is not satisfied with EPA’s alleged efforts to comply with the Court’s mandate and is determined to ensure that full and complete compliance is obtained without further delay. Thirteen months is too long, and limited resources is no excuse. Further delay will not be tolerated.”

*Subsequently, the Court issued a writ of mandamus requiring that EPA adhere to a specified process and schedule to bring hydraulic fracturing in Alabama under regulation.*¹⁵

9-(3). Ground Water Council Grinds the Data with the IOGCC

What followed the August 1997 Eleventh Circuit decision was a new web of national fracking intrigue in the United States. On one side of the petroleum coin, the State of Alabama’s Oil and Gas Board, a member of the IOGCC, stubbornly resisted EPA’s instructions by the court to revise its underground injection control program, which led LEAF to continue on in the court system until 2002. On the other side of the coin, as the EPA was swamped by U.S. citizens and groups demanding a public review of CBM fracking, the petroleum industry was gearing up its new campaign to stifle the liability questions: *fracking never caused contamination of groundwater*.

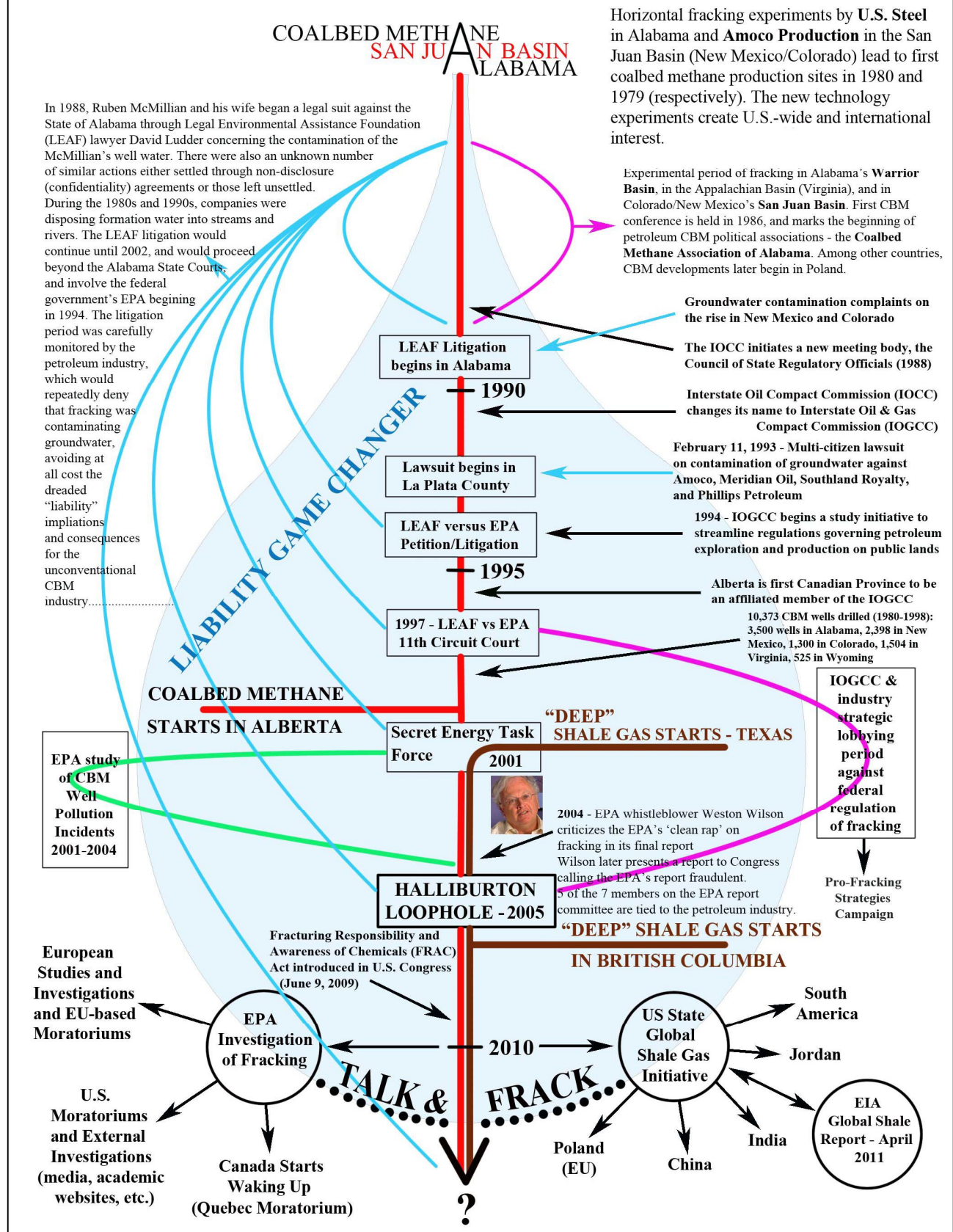
In February 1993, a group of citizens from the Animas River Valley in southern Colorado, with ranches and farms located in a ‘sweet spot’ of the San Juan CBM fracking Basin, launched a multi-party lawsuit on the contamination of their aquifer well waters against four petroleum companies, **Amoco Production Company, Meridian Oil Inc., Southland Royalty Company, and Phillips Petroleum**. It was the first legal action of its kind on fracking in North America, and in the world. (See Chapter 14-(4) for some of the details.) As the knife-edge politics behind this lawsuit wormed its way through four jurisdictional U.S. courts and into top petroleum corporate boardrooms over a period of some five years, it added critical worrisome political spice to the LEAF versus EPA litigation as it evolved through the courts.

In September 2000, a few months before George W. Bush and Dick Cheney took over the helm of the world’s most powerful administration and the initiation of secret energy task force meetings in early 2001, the EPA released a *Summary of Public Comments* report in advance of formulating its new national *Study of Hydraulic Fracturing*. The first item in the 28-page report was an assessment of the *LEAF vs EPA* litigation by Connie Bosma, who was the acting chief for the EPA, the OGWDW (Office of Ground Water and Drinking Water), and the DWPD (Drinking Water Protection Division):

¹⁴ *A Decade of Efforts to Protect Alabama’s Underground Sources of Drinking Water from Contamination by the Methane Industry*, by David Ludder.

¹⁵ *Ibid.*

UNCONVENTIONAL FRACKING TIMELINE - U.S. HISTORY



*All this activity raised the visibility of hydraulic fracturing, and, subsequently, a group began to seek legislative relief on Capitol Hill in the form of legislative changes to exclude HF (Hydraulic Fracturing) from the UIC Program. EPA indicated at numerous Congressional hearings and meetings that it believes further investigation is necessary to evaluate the potential risk before any regulatory decisions are made. EPA is now undertaking a study to help in that determination. EPA has met with industry representatives, states, and Congress. In 1999, the **Ground Water Protection Council** (GWPC) performed a study and a survey of state oil and gas boards on HF, and EPA will be using this study as one of its sources of information.*

The petroleum industry and the IOGCC, which had been cooperatively following and very carefully studying the evolution of the LEAF vs EPA case, saw it all coming, and were frantically trying to control the looming ‘situations’ at the highest political levels.

In the midst of the political fracking skirmish, the **Groundwater Protection Council** (GWPC) stepped up to the political fracking plate in 1998 to conduct a national survey on groundwater issues. The GWPC is an inter-state association and was coincidentally formed in 1983 as the CBM engine began warming up in Alabama, New Mexico, and Colorado. Like the IOGCC, it is headquartered in Oklahoma City.

Groundwater Protection Council
Mission: “...Promote the protection and conservation of groundwater resources for all beneficial uses, recognizing groundwater as a critical component of the ecosystem.”



Ms. Cronkhite noted that one of the key points in the study design would be surveying drinking water agencies. This work would build on the survey that the GWPC prepared in 1998. GWPC conducted a survey of oil and gas boards in states with coal bed methane wells. EPA wishes to survey state agencies that deal with drinking water specifically, because members of the public may bring complaints and issues with ground water to those agencies. If EPA finds any incidents based on that survey, it would do an investigation into those incidents. EPA may ask to review industry records of reported incidents, in cases where an oil and gas board has handled those incidents. EPA also proposed a literature review. EPA proposed collecting information on state regulations. Once EPA has gathered the necessary information, the agency may conduct a risk characterization.

Following the Eleventh Circuit LEAF vs EPA decision on August 7, 1997, the EPA filed for a *Petition of Rehearing* with the court. Three parties joined the EPA with *Amicus Curiae* briefs: the **Ground Water Protection Council** (October 6); the **American Petroleum Institute** (October 10); and the **State of Louisiana’s Office of Conservation** (October 10).¹⁶ Given the obvious industry bias of the GWPC to counter the court’s findings against the EPA, it then conducted a national survey to promote its position against federal regulation.

The GWPC became involved in this matter following a GWPC Board of Directors Resolution in support of the USEPA and its position in a lawsuit brought by the Legal

¹⁶ *Did the Eleventh Circuit Crack “Frac”? - Hydraulic Fracturing after the Court’s Landmark LEAF Decision*, by Markus G. Puder, 1999, Virginia Environmental Law Journal, 18 Va. Env’tl. L.J. 507.

Environmental Assistance Foundation (LEAF).

The GWPC has not conceded on this issue and will continue to make its position known on a technical basis to the EPA and others as necessary. However, we concurrently took it upon ourselves to conduct a survey of the state oil and gas regulatory agencies that we believe will be useful to the EPA as it responds to the Court's decision.

The survey was developed by a team of state agency representatives and sent to twenty-five oil and gas producing states. Among the twenty-five respondents were all of the major coal producing states in which any coalbed methane gas was produced in 1997. The results of that survey follow. Individual state surveys appear in the Appendix.¹⁷

The GWPC's survey found that from 1980 to 1998 there had been **10,373** unconventional CBM wells drilled in the United States: 3,500 in Alabama; 1,300 in Colorado; 23 in Indiana; 600 in Kansas; 3 in Kentucky; 4 in Missouri; 2,398 in New Mexico; 3 in Ohio; 250 in Oklahoma; 260 in Utah; 1,504 in Virginia; and 525 in Wyoming. On its survey question put to 25 States on "have you had any complaints attributable to coal bed methane hydraulic fracturing activities in your state," 24 responded with a "no," and one state said "yes." With regard to the single "yes" category, that state responded that it found **"no substantiation to the claim."**

*Of the twenty-five (25) states surveyed and responding, thirteen reported having any coalbed methane wells. Four of the thirteen had less than ten wells while the remaining nine showed inventories ranging from 23 to 3500 wells. Of the approximately 10,373 wells in the U.S., 10,260 of them are found in eight states: Oklahoma, Wyoming, Colorado, Utah, New Mexico, Kansas, Virginia, and Alabama. **The majority of these wells have already been hydraulically fractured to enhance or stimulate gas production. There were approximately 1130 wells hydraulically fractured in 1997.***

*To date a total of only one drinking water related complaint of contamination from the hydraulic fracturing of coalbed methane wells has been received and reviewed (Alabama). After hydrologic and reservoir investigation and tests, including collection and analysis of water samples by several agencies, none of the claims were substantiated. Based upon this survey, as well as previous technical presentations and open meeting discussions among the various member states, **the GWPC continues to believe that additional federal regulations regarding coalbed methane wells are unnecessary to protect underground sources of drinking water. There is no evidence to support the claims by some that public health is at risk as a result of the hydraulic fracturing of coalbeds used for the production of methane gas.***

By the late 1990s, the LEAF litigation had attracted a lot of attention and concern by the petroleum network, and all the bugs were coming out of the woodwork. In a April 5, 2001 presentation to the Congressional Committee on Environment and Public Works of the U.S. Senate by **Thomas E. Stewart**, representing the **Independent Petroleum Association of America** and the **Ohio Oil and Gas Association**, Stewart stated that the *LEAF v. EPA* litigation was "the most compelling environmental issue currently confronting the oil and natural gas E&P industry." By the year 2000, as the LEAF litigation continued, the **IOGCC**, the **American Petroleum Institute**, **Halliburton**,

¹⁷ *Survey Results on Inventory and Extent of Hydraulic Fracturing in Coalbed Methane Wells in the Producing States*, Ground Water Protection Council, December 15, 1998.

the **Alabama Methane Association**, the **Independent Producers Association of America**, and Alabama-based **River Gas Corporation** also entered the legal fray with *Amicus Curiae* briefs.¹⁸

As the EPA study on fracking evolved from 2001 to 2002, the IOGCC was hot to trot on making its case to the American people and to the world that the environmental and health concerns related to unconventional fracking were without merit. In July 2002 it published a document, the *States Experience with Hydraulic Fracturing*, with a long list of statistics from 28 States all of which affirmed there was “No Harm” from fracking. These findings, as the document inferred, supported the “IOGCC’s mission to promote the conservation and efficient recovery of domestic oil and natural gas resources, while protecting health, safety and the environment.”



Approximately 35,000 wells are hydraulically fractured annually in this country with close to one million wells having been hydraulically fractured in the United States since the technique’s inception with no documented harm to groundwater. Hydraulic fracturing has been regulated by the states since its inception. A principal focus of state oil and gas regulatory programs is on protecting ground and surface water resources. The survey reveals hydraulic fracturing of natural gas and oil wells is a process that is well understood and well regulated by the petroleum producing states.

Following the release of the EPA’s final and lengthy report in June 2004, *Evaluation of Impacts to Underground Sources of Drinking Water by Hydraulic Fracturing of Coalbed Methane Reservoir*, the IOGCC released a follow-up *Hydraulic Fracturing Study Fact Sheet* in 2004:

The EPA researched over 200 peer-reviewed publications, interviewed approximately 50 employees from state or local government agencies and communicated with approximately 40 citizens who were concerned that hydraulic fracturing impacted their drinking water wells. The agency searched for confirmed incidents of drinking water well damage and thoroughly reviewed the information collected.

- *The agency concluded that the injection of hydraulic fracturing fluids poses little or no threat to USDWs.*
- *EPA found no confirmed cases linked to fracturing fluid injection or subsequent underground movement of fracturing fluids.*
- *EPA found that no hazardous constituents were used in fracturing fluids, and hydraulic fracturing did not result in creating a path for fluids to move between isolated formations.*
- *Reported incidents of water quality the degradation were attributed to other, more plausible causes.*

¹⁸ *History of Litigation Concerning Hydraulic Fracturing to Produce Coalbed Methane*, S. Marvin Rogers, IOGCC Legal and Regulatory Affairs Committee, January 2009.

- *Although thousands of wells are fractured annually, EPA did not find a single incident of the contamination of drinking water wells by hydraulic fracturing fluid injection.*

After the Cheney-Bush administration did the dirty Halliburton Loop-Hole deed, this is what the IOGCC wrote in the September 2005 issue of its *Compact Comments* newsletter:

In 1997, the U.S. 11th Circuit ruled in the case of LEAF v. U.S. Environmental Protection Agency that hydraulic fracturing be considered injection under the federal Safe Drinking Water Act. Under the decision, hydraulic fracturing operations, which previously had been regulated by the states' oil and gas conservation agencies, were within the Safe Drinking Water Act in Alabama and potentially in all states. The LEAF decision had potentially enormous adverse effects on the oil and gas industry and IOGCC member states.

*The IOGCC adopted a resolution calling for federal legislation to clarify the **LEAF** decision and for an amendment to the Safe Drinking Water Act. The amendment would state that hydraulic fracturing is not subject to the Act and, therefore, remains under the authority of the states. In its resolution, the Commission noted the states have a long history of ensuring that hydraulic fracturing operations are conducted safely to protect drinking water supplies.*

*The IOGCC appointed a committee to study the issue and assist in the legislative effort. Members of the committee were **Marvin Rogers**, Alabama assistant attorney general, chairman; **Cammy Taylor**, Alaska Oil and Gas Commission; **Kemp Wilson**, Montana IOGCC official representative; **Hal Fitch**, Michigan Geological and Land Division; **Michael Linn**, Pennsylvania; **Kevin Bliss**, IOGCC Washington representative; **Michelle Evans**, IOGCC federal project manager; and **Christine Hansen**, IOGCC executive director.*

The Inhof-Sessions bill introduced in 1998 included statutory language that had been proposed by the IOGCC.

While the legislation languished, EPA implemented the LEAF decision. The Alabama Oil and Gas Board passed a strict program to regulate hydraulic fracturing of coal beds as directed by the EPA. LEAF appealed the Alabama program to the 11th Circuit Court of Appeals in the case of LEAF v. EPA and Alabama Oil & Gas Board.

Alabama intervened in the case and a number of industry groups filed amicus curiae briefs. The IOGCC participated in the court case, filing an amicus curiae brief in support of Alabama's position.

In 2001, the Court ruled in favor of EPA and Alabama holding that the state's program complied with the Safe Drinking Water Act. LEAF petitioned the U.S. Supreme Court for certiorari, which was denied.

*Even though Alabama won its case, **the IOGCC continued to press for a legislative fix.** While the legislation was considered by Congress, EPA began what turned out to be a multi-year national study of hydraulic fracturing. In this effort, the IOGCC and its member states provided EPA with information on hydraulic fracturing in the states. Ultimately EPA found no confirmed cases that drinking water wells had been contaminated by hydraulic fracturing fluid injection into coal bed methane wells.*

During this period of time, Congress considered various legislative proposals. With support of several industry groups, provisions were included in one version of the energy bill that would have exempted hydraulic fracturing from the Safe Drinking Water Act as long as EPA determined that hydraulic fracturing caused no danger to underground sources of drinking water.

The energy bill failed to pass as did other legislative attempts to solve the LEAF problem.

With the support of new allies, the legislative version favored by the IOGCC began to gain support. Bill Cooper, counsel for the House Energy and Commerce Committee became an advocate for the IOGCC's original legislative solution.

Heavy-handed battle lines were drawn by the petroleum sector on the environmental and health liabilities front before and after the *Halliburton Loop-Hole* exemption in mid-2005. More recently, through investigations from 2009 following, some of the voluminous information and data about some of the numerous non-disclosure agreements is being released, and some of the dark secrets by the EPA (Environmental Protection Agency) is being discovered, in part by the New York Times staff and reporter Ian Urbina. And, through the world-wide release and interest in the Josh Fox documentary *Gasland*, the multiple investigations by reporters, non-governmental organizations and citizens, the recent suit in Alberta by **Jessica Ernst** against the **Alberta government** and **Encana Corporation**, and with professionals inside the petroleum industry criticizing and speaking out about the industry, people are now aware of and discovering that the previous, consistent public relations statements made by the IOGCC and the unconventional petroleum sector - *we have conducted a million fracks and no drinking water contamination* - are incredulous and fraught with intrigue and falsehood.

9-(4). Mr. Smith in Europe

Given the IOGCC's dominant and political role to champion unconventional fracking in the United States, the significance of Mike Smith's participation at the April 8, 2010 conference in Warsaw, Poland, as the head honcho of the IOGCC, and as part of David Goldwyn's Global Shale Gas Initiative European opener, is quite revealing. His participation at the one day conference in Poland, in Panel number 3 under the theme of *Environmental Aspects and Impact on Local Communities of Shale Gas Exploration and Production*, and the private briefing meetings he may have had with Polish officials, with industry, and with members of the American Embassy in Poland, were not scheduled to end there.

Smith was also a guest speaker at the 2010 Global Shale Gas Summit in Warsaw, *Expanding Global Shale Gas Development*, held from July 19 - 20. He spoke on the theme, *Learning from the US Example: What the Real Environmental Risks are & how to Minimize them*. He was also a speaker at the *Gas Markets in Transition - Shale Gas Impact* conference on October 27, 2010 in Stockholm, Sweden.

Smith was also a participant in one of two international workshops organized by the **Atlantic Council** think tank in early 2011. The first Council meeting, called *A Realistic Balanced Perspective on European Unconventional Gas Developments A North American Perspective*, was held on January 25, 2011 in Washington, D.C.



“The states do a superb job of protecting human health and the environment through sound regulation,” said Carl Michael Smith, IOGCC executive director. “An unnecessary shift to federal regulation of hydraulic fracturing could greatly inhibit the production of much-needed oil and natural gas resources at a time when our nation’s energy security is critical.” (Quote from IOGCC June 10, 2009 news release, *States Challenge Attempted Power Grab in Hydraulic Fracturing Issue*. Photo of Smith, center, from IOGCC image archives.)

With the growing realization that substantial unconventional gas resources have the potential to play a major role in supplementing conventional gas resources in many countries, it has become important to consider the prospects, challenges and regulations necessary to ensure the safe and environmentally sound development of such resources. This will be critical to creating supply options in many countries facing growing energy requirements and tightening supplies of conventional gas supplies. The Energy and Environment Program of the Atlantic Council of the United States, with the support and guidance of the US State Department and Department of Energy is organizing a series of workshops to update European governments and non-governmental thought leaders on the progress that is being made in resolving many of the technical, environmental, and social issues related to unconventional gas production in order to provide a realistic assessment of the challenges remaining and the necessity for additional industry specific regulations.

An initial workshop to update a mainly European audience will be held on January 25, 2011 in Washington, DC. This workshop will draw on the experience of North American companies, non-governmental organizations, and government officials to identify the most recent knowledge on the technical, environmental and political challenges associate with

*unconventional gas production. Ample time will be provided for meeting participants to discuss their observations and concerns with the expert presenters.*¹⁹

The Atlantic Council's website states in a March 14, 2011 article, *European Unconventional Gas Developments*, that the origins of the two workshops resulted from a EU-US Energy Council agreement in November 2010 "to exchange expertise on environmental issues related to the utilization of unconventional gas resources, including shale gas, especially with a view to addressing the issue of public acceptance." The article also states that "European development of unconventional gas resources, along with the expanded availability of LNG previously destined for the US, will have a significant impact on markets throughout Western, Central and Eastern Europe for a number of decades."

In December 2010, the Atlantic Council published a six-page *IssueBrief* called *Central Europe and the Geopolitics of Energy*, which developed recommendations on EU cooperative and integrated energy development through "United States technical assistance." **John R. Lyman**, who helped write the *IssueBrief*, has been the Atlantic Council's Energy and Environment Program Director since January 1, 2005. The Atlantic Council's website biography of Lyman states that he has been "active in the Council's Energy and Environment program since 1988." He was the former corporate vice president of **Amoco Corporation**, (the international corporation that first co-developed coalbed methane development in the U.S., the company that was named in the February 1993 lawsuit litigation) and was promoted to vice president of planning and administration for Amoco Oil Company in 1990. In 1993, Lyman "was given additional responsibility for Amoco Oil's international operations in China, Russia and Mexico and became accountable for cross subsidiary plans for entering Mexico." He retired from Amoco in 1994 and then became vice president of **Mercer Management Consulting**, and "by 2000 he was regularly engaged to the Atlantic Council's **Energy and Environment Program**."



Smith participated on the January 25th Atlantic Council panel called *National Versus State Perspectives* alongside U.S. Bureau of Land Management representative Nick Douglas and EPA special assistant to the Director of Drinking Water Protection Division's Chitra Kumar. The day's meeting was wrapped up by David Goldwyn, now back in the private petroleum consulting sector who had retired some ten days previous from the U.S. State Department as its Global Shale Gas Initiative salesman.

Smith didn't participate in the second Atlantic Council meeting held on March 14, 2011 in Brussels, an event called *European Unconventional Gas Developments*. Amidst think tank, petroleum company, and EU state officials who spoke at the meeting, Atlantic Council's vice chairman General Richard Lawson spoke on EPA's *Update on Hydraulic Fracturing Study*, U.S. Southwestern Energy's Mark Boling spoke on *Establishing Operating Standards*, former Ground Water Protection Council president Scott Kell spoke on *Environmental Impacts Associated with Infrastructure Requirements and Production*, and U.S. Department of Energy's Sally Kornfeld spoke on *Regulatory Framework in the USA and on the Interactions between the Federal and State Regulators*. Kornfeld no doubt well-represented the views of the IOGCC.

¹⁹ Atlantic Council meeting program for January 25, 2011.

10. Harper's Men in Poland

The challenge for us is when you are trying to promote Canada as an investment opportunity and market is that you've got to skate pretty hard because Texas itself is a great environment in which to do business. These are some of the challenges that we face. The most significant challenge, I suppose, is continually trying to raise the profile of Canada in Texas.

Canada is the second largest trading partner with Texas after Mexico. In 2008, that was US \$29 billion. That's pretty significant, although Mexico looms large. Texans understand Mexico, but they don't know as much about Canada. They think they do, but actually when I give speeches or meet people and talk about the depth of our economic relationship, they are quite surprised to see how connected we are economically.

I think the one thing I could mention is that I work for the federal government of Canada, and we like to think we represent the interests of all levels of Canadian government and Canadians to the extent we can. What I have seen in my four years here is the degree of activity that our individual provinces have reaching out as governments to corporate entities here in Houston, here in Texas, largely related to energy. I'm very aware that the delegations I tend to see coming here are ministers of energy or natural resources from almost all provinces –certainly British Columbia and Alberta.

As I said, I lived here before. It was great to be back. I see great things for Texas. I think what I've learned about the oil and gas industry has been fascinating, and if I were to have a second life and be more entrepreneurial, I couldn't think of a more exciting sector to go into that would appeal to all the things that appeal to me as a military officer. They operate all over the world. They go into barren areas. They are the masters of logistics to put in sites. The international geopolitical hurdles that have to be overcome, the huge challenges and, deny it or not, the great value it provides to our economies. If I come back in a second life maybe I'll try that out, but it's been a great experience.¹



As 2010 transitioned into 2011, so did the cooperative fanfare of unconventional shales between Poland and the United States at an ever-increasing rate. Organized events through Poland's embassies, media, internet blogs, and investor hype all blossomed in 2011. On a few occasions, delegates from Poland's regulatory, geology, and environment departments conducted organized tours in America where they conducted field trips to shale gas operations, met with their U.S. counterpart colleagues, and were introduced and informed on how shale gas is regulated. U.S. petroleum corporations and their investors spent decades on fine-tuning the regulatory regimes at both State and Federal levels - more recently and controversially on shale gas regulations - and now their mission was to introduce, promote and accomplish a favourable operating and investment fracking climate in Poland by informing Poland's regulators how to do it properly.

That political mission was also cooperatively unfolding in Canada, albeit with less fanfare. After all, Canada is almost joined at the hip with the U.S. as both American and Canadian based companies operate freely in both jurisdictions, under separate regulatory regimes. Many Canadian provinces are affiliate members of the Interstate Oil and Gas Compact Commission (IOGCC), and AmCham Canada is not only integrated with the U.S. Chamber of Commerce, but has ties with Foreign Affairs & International Trade Canada. Some have even appropriately nick-named Canada's western petro province of Alberta as Texas North (amidst numerous other nicknames).

¹ Interview with outgoing Consul General Norris Pettis, July 13, 2010, (Hart Energy) E&P magazine.

Canadian-based **Talisman Energy Inc.**, and **LNG Energy Inc.** were granted agreements with other corporations in Poland earlier on in the game. In 2011, both **Nexen** (April) and **Encana** (September) publicized their moves to enter Poland's fracking fairways.

The petroleum world intelligence firm, **CEE Consulting**, published intriguing insights into the background politics on the shale gas front in Poland on September 1, 2011, *Shale-gas and Poland - A potential game-changer with complications Briefing*. After naming names of "active lobbyists and government officials" from the United States, the intelligence brief noted "there is also a strong Canadian effort as well."

The gas "fever" has attracted investors from the United States, Canada, Australia, Germany, Sweden and Hungary, with the race for both shale gas and "tight gas" - i.e. gas that is extremely difficult to reach due to the nature of the rock and sand deposits surrounding it - heating up, thanks in part to an intense lobbying effort by the United States.

World-wide, tight gas/shale gas deposits are estimated to be ten times greater than those of conventional gas reserves. In Poland there currently are around 14 companies that have gained concessions from the Ministry of Environment to search for unconventional gas reserves in the Lubelszczyzna, Mazowsza, Pomorza and Monokliny Przedśudeckie regions. Approximately 37,000 square kilometers - 12 percent of Poland - is covered by the "gas belt", and the Ministry of Environment has already handed out 44 exploration concessions over the past two years.

The London-based magazine **Petroleum Economist** may have become intrigued about CEE Consulting's rather brief and tantalizing information about the "strong Canadian effort," as it published a follow-up article on September 14, 2011, *Canada lends shale-gas support to Poland* (with the sub-headline, *Poland is benefitting from Canada's experience and expertise in shale-gas development, But what does Canada want in return?*):

Canada has been assisting Poland with the regulatory framework it aims to establish to ensure the successful development of its nascent shale-gas industry. Representatives from the Canadian embassy in Poland have been advising the Polish government for the past year. As well as arranging meetings between Polish provincial ministries and authorities, and representatives of the Canadian industry, they have also helped arrange visits to drilling and hydraulic fracturing (fracking) sites in Canada.

The regulations recommended by Canada include setting up mechanisms to deal with the environmental and local-community impact shale-gas production can have, as well as offering advice on taxation and royalty framework that would attract investment from oil and gas companies. This could then be balanced by a scheme that would enable profits from the sector to be shared between government and communities.

10-(1). Canadian Ambassador Costello Heralds Canadian Frackers

Internal reports and information about Canada's promotional involvement in Poland's and Europe's shale fever are more scant and difficult to come by. One of those stories involves Canada's ambassador to Poland, **Daniel Costello**, who was appointed on July 19, 2009, succeeding David Preston. The federal government's biography of ambassador Costello states the following. He served:

as Policy Adviser and Executive Assistant (Chief of Staff) to the Director of Policy and Research in the Office of the Prime Minister (1996-1999), Executive Assistant (Chief of Staff) to the Minister of Citizenship and Immigration (1999-2002), and Chief of Staff to the Minister of Foreign Affairs (2002-2004).



He then returned to teaching at the University of Ottawa (fall 2004) prior to joining the Ministry of Foreign Affairs in early 2005. At the Ministry in Ottawa he has served as Director General for Intergovernmental Relations and Domestic Outreach (2005-2006), and more recently in the Bilateral Relations Branch as Director General for the European Union, North and West Europe (2006-2008).

Canada's \$10 million embassy in Poland. In 2001, the new building, designed by WZMH Architects, was named by the City of Warsaw as the year's best public building, with a similar award by Polish Business News, an English language bi-monthly magazine. An elegant location for receptions and cocktails.



Canada enjoys an embassy in Warsaw with 6 foreign program staff that assist ambassador Costello. Wikipedia reports that the embassy "is one of Canada's largest missions in Central and Eastern Europe with approximately 13 Canada-based diplomats and 65 locally employed staff working at the chancery and the ambassador's official residence," operating under five sections.

Poland enjoys an embassy in Ottawa, and 5 consulates in Vancouver, Calgary, Edmonton, Toronto and Montreal. The government of Canada's website, *Canada-Poland Relations*, states how the two countries "enjoy close bilateral relations, including growth in trade and investments, increasing military co-operation and academic relations programmes. Canada is home to a vibrant community of over 980,000 Polish-Canadians. Since 2008, Poles can travel to Canada visa-free with their e-passports, further expanding people-to-people ties among our citizens."

On another branch of its website is a link called "Great Opportunities in Poland for Canadian Companies":

Canadian cumulative investment in Poland totals almost \$440 million. Opportunities for trade and investment for Canadian firms exist in the agri-food, environment, ICT, infrastructure, aerospace, energy (particularly shale gas), building products and construction sectors. Major Canadian firms already active in Poland include Bombardier (Transportation and Aerospace), Vac Aero, Talisman, EnCana, McCain Foods, Wentworth Technologies, SNC Lavalin, Gemite, Akuna, Smart Technologies, RIM, Corel, OpenText, Mitel, Cognos, QNX, and Pratt&Whitney Canada which has been active in Poland for more than 30 years.

One of the companies, **SNC-Lavalin**, procured a \$300 million (Canadian dollar) cooperative contract with Poland's Elektrownia Patnow SP to construct a 460 MW lignite-fired thermal power plant in Poland. Former Encana ceo Gwyn Morgan, who is also a political advisor to British Columbia Premier Christy Clark on energy issues, and who recently received the ('new') Order of



Canada² medal award (photo, left, standing next to newly appointed Governor General David Johnson) during Prime Minister Stephen Harper's new majority Conservative government, is the chairman of Canadian-based SNC-Lavalin. Morgan, believe it or not, is a self-proclaimed Buddhist, and his nomination for Order of Canada was posted on the Dalai Lama Center's website on January 3, 2011. In 2006, when Harper enjoyed a minority government, he failed to appoint Morgan - who had just stepped down as Encana's ceo - as chairman of a new review board for public appointments. Harper was quoted as saying at the time: "We'll obviously need a majority government to do that in the future." Not only did Morgan receive

the Order of Canada, he got another 'order' delivered to SNC Lavalin's plate at a bargain basement rate, the federally owned **Atomic Energy of Canada Ltd (AECL)** which was about to market its next-generation nuclear reactor, the ACR1000. There were speculations afoot about a new nuclear reactor for Alberta's tar sands which Encana has a large stake in through **Cenovus**. Morgan's controversial history with Encana and its \$21 billion merger with Pan Canadian Resources, among other issues, was well summarized in Andrew Nikiforuk's two-part series published in Vancouver-based internet newspaper, The Tyee, in March 2011.³

Talisman Energy Inc., with its president and ceo **John Manzoni**, is a corporation registered in Canada, and is a parent of 12 subsidiaries. One of those subsidiaries, **Talisman Energy USA Inc.**, is in the U.S., and three are in Europe: **Talisman Energy (UK) Limited**, **Talisman Energy Norge AS**, and **Talisman Energy Polska Sp.** Talisman Energy Inc. has 9 registered company lobbyists under two categories: 8 of the nine "whose lobbying activities represent less than 20% of their

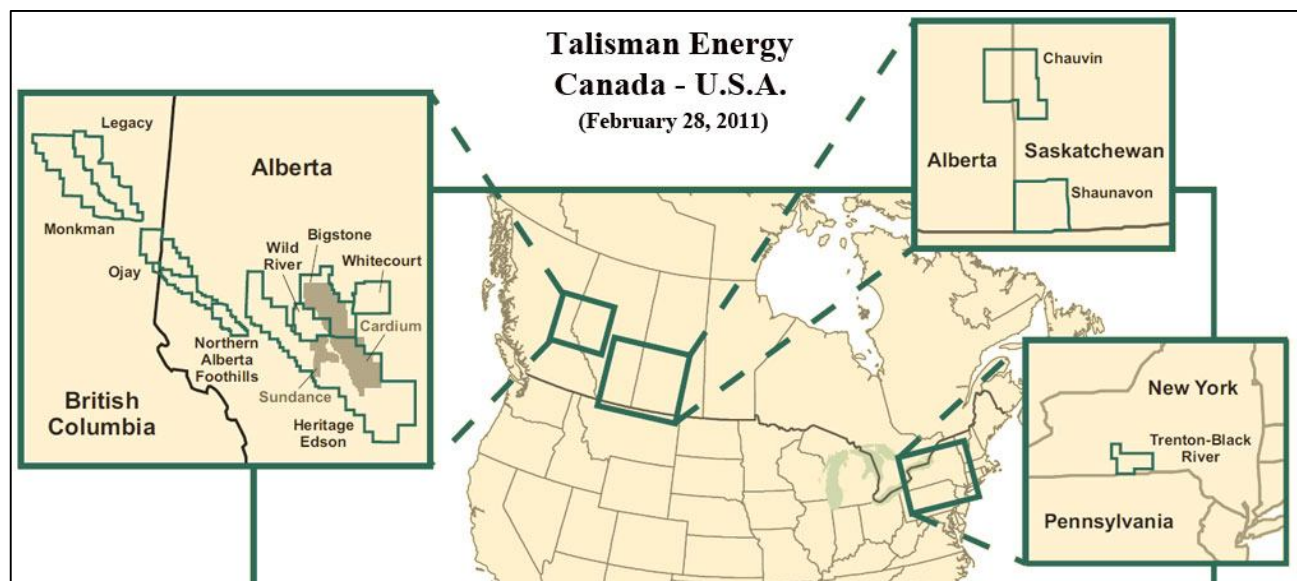
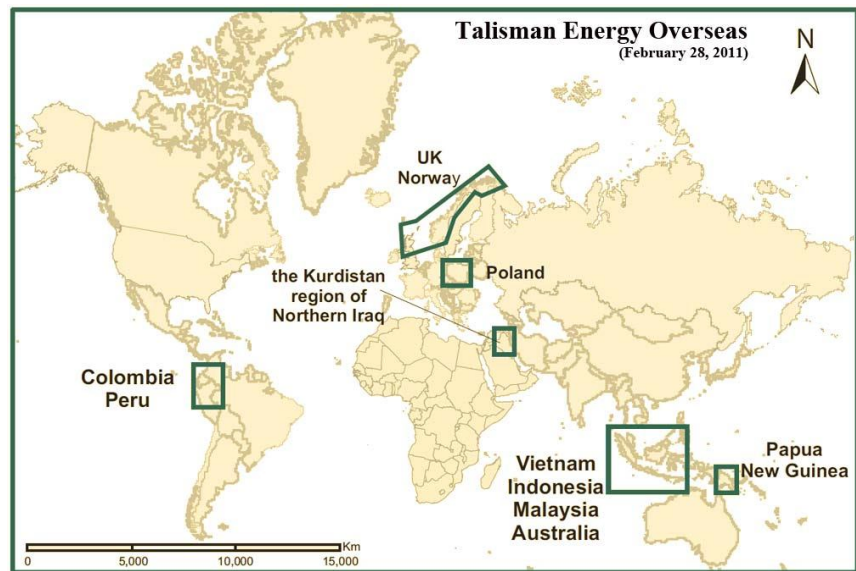
² The Governor General of Canada description of the award from November 16, 2010 states: *Gwyn Morgan has made important contributions as a business and community leader in Alberta. Founding chief executive officer of Alberta-based EnCana Corporation, he was instrumental in creating one of the most successful oil and gas companies in the world. He is also recognized for his commitment to broadening public policy discourse in Canada, which he has helped to advance through his participation in organizations such as the **Canadian Public Policy Forum** and the **Manning Centre for Building 'Democracy'**. As well, his philanthropic support has benefited health care and educational initiatives across Canada.*

³ *The Gwyn Morgan File: Rise of a Shale Gas Baron*, and *EnCana's Grip on BC.*, March 17, and 18, 2011. (The articles are included in Appendix D).

duties;” and one whose “lobbying activities represent 20% or more of their duties.” Under the first category are:

Paul Blakely (executive vice president of international operations, east); **Richard Herbert** (executive vice president of exploration); **Rajiv Manhas** (vice president of corporate affairs); **Robert Rooney** (executive vice president of legal and general counsel); **Paul Smith** (executive vice president of finance and co); **Nick Walker** (executive vice president of international operations, west); and **Helen Wesley** (executive vice president of corporate

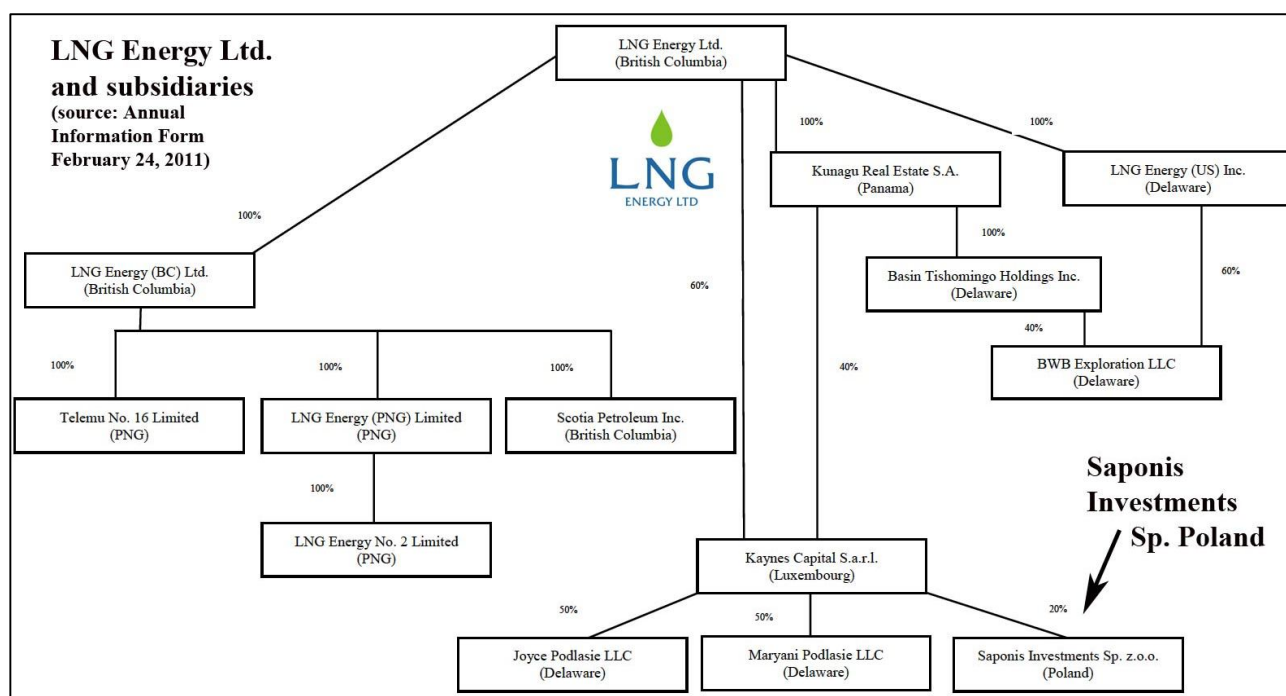
services). The second category is with **Tim Church**, the company’s senior advisory of government affairs.⁴ Talisman’s registered lobbying activities of federal departments through both oral and written communication is licensed with the following agencies: Aboriginal Affairs and Northern Development Canada (AANDC), Canadian International Development Agency (CIDA), Environment Canada (EC), Foreign Affairs and International Trade Canada (DFAITC), Industry Canada (IC), Justice Canada (JC), Members of the House of Commons, Natural Resources Canada (NRCan), PMO, Privy Council Office (PCO).⁵



The two images of Talisman’s operations are from Talisman’s February 28, 2011 Annual Information Form.

⁴ Church is the only one of the nine registered lobbyists that has a background as an employee with the federal government: a special assistant and director of parliamentary affairs with the Minister of Natural Resources (January 2002 - October 2004); a senior advisor with Natural Resources Canada’s Nuclear Energy Division, the energy policy sector (August 2005 - May 2007); and a senior advisor under communications and government affairs with the Canada-Nova Scotia Offshore Petroleum Board (May 2007 - October 2009).

⁵ Active Registration: 782098-16086-9.



The first well, Wytowno S-1, in the Slawno concession was spudded in December 2010. The Wytowno S-1 well, with a TVD of 3315m has an AFE cost of US\$10MM to drill, case, hydraulic fracture complete and test the Ordovician/Silurian gas shale formation deliverability. The second well (Lebork S-1) in the Slupsk concession is planned to be drilled in after the Wytowno S-1 well is completed. The third well in the Starogard concession (Starogard S-1) will be spudded in the second half of 2011.

In October 2009, LNG and Omag caused BWB to exercise its option to participate in the 20% net interest in BNK's exploration project in Poland (the "Poland Project"), which include three concessions, Starogard, Slupsk and Slawno, located in Northern Poland and total approximately 730,000 acres (2,951 square kms). At the time of the option exercise, LNG's indirect interest in the Poland Project was 12% as a result of LNG's ownership of 60% of BWB. BNK formed a Polish company, Saponis Investments Sp. z.o.o. ("Saponis") to hold the Poland Project. For payment of the option exercise price of US\$133,855, being 20% of BNK's acquisition costs for the Poland Project, BWB is entitled to be issued 20% of the shares of Saponis. For corporate reasons, LNG and Omag agreed that BWB's 20% interest in Saponis be held in a Luxembourg corporation, rather than in BWB. LNG and Omag, formed Kaynes Capital S.a.r.l. ("Kaynes") for this purpose and steps are underway to transfer BWB's interest to Kaynes and cause the shares of Saponis to be issued to Kaynes.

Exploration, Drilling and Operating Risks

The business of exploration for and production of oil, gas and other resources involves a high degree of risk. In particular, the operations of the Corporation may be disrupted, curtailed or cancelled by a variety of risks and hazards which are beyond the control of the Corporation, including environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment, compliance with governmental requirements, explosions and other accidents. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruptions, monetary losses and possible legal liability. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though they yield some oil or gas, are not sufficiently productive to justify commercial development or to cover operating and other costs.

Information from LNG Energy Ltd.'s Annual Information Form, February 24, 2011.

According to the Office of the Commissioner of Lobbying of Canada records, **someone** with Talisman Energy, which may or may not involve ceo John Manzoni, “communicated” with ambassador Costello on November 19, 2010. There is no information about what was communicated, other than it was under the subject heading of “international relations.”

On September 21-22, 2011, the 9th annual international *NAFTA i GAZ* Oil and Gas Conference was held in Warsaw at the Palace of Culture and Science. At 237 metres tall, the Palace centre is the 8th tallest building in the EU, and was formerly known as the Joseph Stalin Palace of Culture and Science. *Invest in Poland* newsletter of September 8th, 2011 (Issue 243) said that this was the first year that Canada would be an exhibitor of the annual conference, a conference aimed to “discuss the role of gas in the energy sector, the market of biofuels, new gas sources, gas regulations, privatization and competition among refineries, new pipelines and issues concerning Polish Oil and gas sector in the electoral manifestos of political parties.”

For the event, Canada’s trade commissioner **Arkadiusz Wysocki** published a bulletin about the event informing interested parties that the embassy’s trade section was “coordinating the Canadian presence and invites Canadian oil and gas companies, particularly service companies and equipment suppliers to participate:”

Canadian companies will have the opportunity to meet Polish key decision-makers and industry experts, and also to demonstrate their capabilities and products in this new and emerging market.

The Trade Section also offers to provide a market overview and strategy session with the companies attending the show. For Canadian companies who confirm their attendance before September, we can also explore additional activities on the periphery the trade show such as strategic side meetings, networking events and/or Embassy presentation sessions to highlight and promote Canadian capabilities in the oil & gas sector.

The 9th annual OIL & GAS 2011 Conference and Trade Show provides an opportunity to Canadian companies to present their capabilities and expertise, and also a forum to exchange opinions and experiences with government and business representatives in the Polish oil & gas industry.

The Polish show organizers have planned several conference panels during the show focusing on energy security, electric power generation with natural gas, Polish pipeline infrastructure, and a shale gas exploration panel to discuss 2011 results from the first wells drilled, environmental impact and local challenges, and legal framework changes.

The organizers of the show have also indicated that they would welcome additional Canadian speakers at the conference.

The Canadian embassy in Poland’s website has a Polish version of the companies that ended up attending the conference, but with no corresponding English version. Same with the conference agenda: no English version was found on the internet. Eight Canadian companies attended: **Akita Drilling; Calfrac Well Services; Ensign International Energy Services; Gallic Energy; Nexen Inc.; Realm Energy International Corporation; Talisman Energy Poland; and Trican Well Services.**

Alongside **BNK Polska**, Talisman Energy was one of four sponsors of the *South Baltic Gas Forum* held in the city of Gdansk, Pomerania, September 5-8, 2011. Seven sessions were held over the course of the four day forum. On the afternoon of September 6th, **Jan Krzysiek** from Gdansk University of Technology moderated a two and a half hour long session called *How to deal with environmental and social impact of shale gas development*. The theme of influencing the public through the mire of message management and synergy tactics on the controversial issues related to fracking was about to be unleashed in two international strategic conferences in Canada and Poland in weeks to come, with another ball-buster conference in early November held in Houston, Texas, and another scheduled for the end of November 2011 in Warsaw.

The opening address of *How to Deal With* was delivered by Canada's illustrious ambassador Daniel Costello (photo, right). His opener was followed by two Canadian-based companies: **Tomasz Gryzewski** from Talisman Energy speaking on *Exploration Experiences*; **Patrycja Kujwawa** from LNG Energy Poland then spoke on *Experiences in Shale Gas Exploration*. The last speaker of the first half of this session was **Dean Hills** from ENSIGN who spoke on *Experiences of a Shale Gas Service Company*. The second half of the session began with **Jacek Wroblewski** from BNK Polska who spoke on the *Experiences of BNK in Shale Gas Exploration*. He was followed by **Kamlesh Parmar** from Poland's association of oil and gas companies **OPPPW** (the Polish Exploration and Production Industry Organization, or **Organizacja Polskiego Przemysłu Poszukiwawczo-Wydobywczego**), on the topic of *Engaging Local Communities - Best Practices*. The concluding session discussion was given by the moderator.



OPPPW's Kamlesh Parmar (left), next Talisman's Tomasz Gryzewski, Daniel Costello, and Patrycja Kujwawa from LNG Energy Poland (in red).

Dialogue with local communities



- Engage representatives of local communities (e.g. governors, marshals, heads of counties, communes, rural subdivisions) as early as possible
- Ongoing interactive communication with local communities



Some two weeks later in September, the OPPPW provided a document on the history of its organization during the September 17-18 conference in Krakow on managing the public. The OPPPW was established in June 2010, just as the physical fracking advances were evolving in Poland, and coincidentally, the same month the U.S.-Polish Business Council was formed. As of late September, 2011, the organization had 14 members and 6 observer corporations which were featured in the presentation with all the corporate logos (see below). Three Canadian companies LNG Energy, Nexen and Talisman Energy were members. Encana, which had just arrived in Poland, was not yet on the list. Explained in OPPPW's presentation, the organization has a Members Meeting body and a Management Board body, under which are four subcommittees: Environmental; Laws and Regulations; PR and Government Relations; and Technical. The presentation identified essential features by which to engage in communicating with the public, and even had a photograph of the South Baltic Gas Forum with Ambassador Costello. What's also interesting is another photo, under the caption title *Lublin 27 July 2011, meeting with local officials*. In that meeting is where a representative the province of Alberta's petroleum regulator, the ERCB, gave a presentation on shale gas, a presentation recorded on Radio Lublin.



10-(2). Alberta Petro Frackers' "Public Interest" Regulator Guinea Hen Flies to Poland

Some Albertans know only too well the dark side of the ERCB (Energy Resources Conservation Board), others don't, and many don't want to. Certainly, the majority of Canadians don't. So don't Poland's politicians and government officials. However, that may not necessarily be true of some members within Poland's Ministry of Foreign Affairs.

About six weeks before Encana's debut appearance in Poland, a representative from the ERCB, Alberta's primary petroleum regulator, which is 63 percent funded by the petroleum industry,⁶ showed up for a promotional and consultation visitation with municipal politicians and administrators from two of Poland's provinces, two jurisdictions facing intense future fracking proposals and developments. By sheer coincidence, Pomerania and Lublin are the same two provinces which had representatives appear at the May 18, 2011 shale gas promotional pro-fracking conference in Warsaw (refer to chapter 11-(10), *Poland Portal Party*, for the details).

The information found in numerous Polish news articles and petroleum bulletins indicate that someone from Poland's Ministry of Foreign Affairs invited **Paul Ferenowicz**, a Polish Canadian, to conduct a few meetings in the provinces of Pomerania and Lublin at the end of July and beginning of August, 2011. The information also indicates that the Canadian Embassy in Poland was also involved in organizing at least



ERCB Board members, 2009. Don McFayden (top left), Bonnie McGinnis (top middle), George Eynon (top, second from right).

Unconventional Gas Regulation

Quebec

Bonnie McGinnis commented that Alain Lefebvre had advised that the list of the members of the Shale Gas Strategic Environmental Assessment team and its mandate were made public on May 12. Georgette Habib provided a brief overview of the communiqué which was available in French only.

Alberta

Dan McFadyen spoke about Alberta's new regulatory framework for unconventional gas which focuses on shale gas/oil, coalbed methane, and tight gas/oil. He highlighted some key findings and risks/opportunities, as well as the new framework concept which is risk based and play based.

Europe

*George Eynon related his experience from his attendance at a session in Warsaw, Poland last fall which was also attended by two companies, **EnCana** and **Talisman**, who are also operating in British Columbia. He noted that **there are many challenges in Poland** but there is also tremendous potential. **Several government officials will be visiting regulatory agencies in Alberta and British Columbia later this month to seek a greater understanding of the way in which regulation is carried out in these jurisdictions.** George provided an overview of the European Unconventional Gas Summit held in Paris in January.*

***Action:** Bonnie McGinnis will post the Quebec communiqué to the website.*

(Excerpts from CAMPUT Energy Resources Committee, Minutes of May 15, 2011 meeting, Sheraton Vancouver Wall Centre. Dan McFadyen, Bonnie McGinnis, and George Eynon are with Alberta's Energy Resources Conservation Board.)

⁶ See Andrew Nikiforuk's article, *Alberta Fills Pipes with Corrosive Denial*, in *The Tyee*, February 21, 2011.



one of the events. It is little or no coincidence that these two population centres were chosen by Poland's Ministry of Foreign Affairs and by Poland's OPPPW, as these centres appear to be the staging grounds for comprehensive synergizing strategies.

This is the photo of Ferensowicz's appearance in Lublin used by the OPPPW in its report. Ferensowicz is seated at the back below the projector screen, and to the right of the Radio Lublin poster.

On August 2, 2011, Poland's OPPPW alliance of fracking companies' website published a summary of one of Ferensowicz's visits, *Meeting with local officials in the Lublin Province*, which provided some interesting if not convoluted insights. The article, written in English, identified and stated:

- "Ferensowicz arrived in Poland at the invitation of the Minister of Foreign Affairs," i.e., Radoslaw Sikorski - it did not say "Ministry" of Foreign Affairs, and that the meeting in Lublin was coordinated by the Ministry's deputy director of economic policy, Katarzyna Kacperczyk;
- that at the Lublin meeting, "the group of participants in the debate included also the representatives of the Polish Exploration and Production Industry Organization (OPPPW): Paweł Pudłowski and Dominika Mackiewicz;"
- that Ferensowicz "presented the functioning of a regulatory system model developed by the ERCB", and said that "among the primary objectives of the organization, Ferensowicz enumerated the following: **protecting the public interest, taking care of the environment** and the efficiency of exploitation;"
- that "according to Ferensowicz, reliable information on the exploration and production activities is also essential: "It is of great significance for state and local authorities, as well as knowledge institutions, to collect and deliver data to the society. **Any propaganda should be abandoned** for the sake of fact-based communication"."

The OPPPW article ended with the following paragraph:

The debate with representatives of local governments was summed up by Genowefa Tokarska – the Governor of Lublin Province – who highlighted the need for a policy of openness from both sides. The Governor remarked that the most precious feature of the Lublin Province are its natural assets, which need to be taken care of above all other things. She emphasized, however, that the investors operating in the region have declared to proceed with utmost care while implementing the planned activities, and to maintain open relations with the local communities.

Ferensowicz is seated below the projection screen, on which is the title of his presentation, *Regulating the Challenges of Unconventional Gas, Presentation to the Polish Ministry of Foreign Affairs, Warsaw, Poland.*

Ferensowicz's reference to the ERCB's role in "protecting the public interest" is a phony refrain the ERCB has used repeatedly. The government of Alberta, it's Ministry of Energy and ERCB never comprehensively define what "the public interest" means, nor how the ERCB's further "protects" that rather narrow and disingenuous phrase: but the government's plentiful actions speak louder than words.



In fact, when the Alberta government "restructured the Alberta Energy and Utilities Board (EUB or Board) into two new organizations, the Energy Resources Conservation Board (ERCB) and the Alberta Utilities Commission (AUC)" on January 1, 2008, the government proclaimed that "the ERCB ensures that the discovery, development and delivery of Alberta's resources take place in a manner that is fair, responsible and **in the public interest.**"⁷ The government's annual 2007-2008 report also states that these two new bodies, which operate under Alberta's Ministry of Energy:

are independent, quasi-judicial agencies of the Government of Alberta with the responsibility to regulate Alberta's energy and utilities sectors. While the Minister of Energy has governance responsibility for the ERCB and the AUC, they make their formal decisions independently in accordance with various statutes and regulations. ... The ERCB regulates oil, natural gas, oil sands, coal and gathering systems. The ERCB also includes the Alberta Geological Survey (AGS), whose role is to provide geoscience information and expertise to government, industry, and the public in support of the sustainable development of Alberta's energy and mineral resources. The ERCB's operations are jointly funded by the Crown and a mandatory administrative fee applied to industry.

In a March 18, 2008 letter by ERCB's former Communications Manager Tom Neufeld, *Western Review Readers Deserve Factual Information about Sour Gas Development and Public Safety*, addressed to the Drayton Valley Western Review, a local newspaper in rural Alberta:

The March 4, 2008 edition of the Western Review included an article by reporter Lori Clark entitled "Sour Gas Activists Visit" that contained a number of falsehoods regarding the actions of the Energy Resources Conservation Board (ERCB).

⁷ Energy, Annual Report, 2007-2008, Government of Alberta (Public Accounts).

*The ERCB is Alberta's energy regulator. Our role is to ensure that energy development in Alberta is done fairly, responsibly, and **in the public interest**. In short, **we are the referee in Alberta's oilpatch**.*

*Because of our role, **everyday we deal with conflicts between energy companies and landowners, concerns about sour gas development, and questions about coalbed methane development**.*

***We welcome public scrutiny.** Healthy skepticism is a virtue. It keeps people, businesses and governments on their toes. The ERCB is no exception; we need to be able to stand up to public scrutiny, Albertans expect no less.*

The article then says, "Nikiforuk also states that ground water in Alberta is very poor. We now have people in central Alberta who can light their water on fire... Nikiforuk explains the ability to ignite the water is the result of high methane levels not to mention the other chemicals present."

*Had the Western Review contacted the ERCB, we would have directed your readers to a study from the Alberta Research Council, released on January 17, 2008, which assessed four water well quality concerns from private landowners and found **no link between coalbed methane development and water well quality**. Instead, it found that the quality issues were predominantly due to **naturally occurring methane**, plus poor well construction and maintenance.*

***Ensuring that oil and gas development occurs safely in Alberta is the ERCB's number one priority.** We also believe that Albertans, and Western Review readers, deserve accurate and balanced information regarding energy regulation in our province.*

As the fracking "referee," many Albertans are familiar with how the ERCB keeps landowners and rural communities off the proverbial ice.

Consider the on-going plight of merely one of Alberta's residents, Jessica Ernst. There are many, many more. Ernst is a scientist, founded her own company, and conducted comprehensive cumulative environmental effects studies with a small team of fellow research scientists since the early 1990s under contracts for the petroleum sector in Alberta and British Columbia. Among other companies, she worked for energy giant Encana, a company fracking unconventional shales internationally. She resigned her project work with Encana in 2004 because of what the company allegedly did to her and her community of Rosebud.

Photo of Encana's new drilling rig next to the community of Rosebud and Ernst's home, November 7, 2011.

According to court documents filed by Ernst's lawyers on April 21, 2011, Encana, who had 'a license to drill' for Coal Bed Methane from the government of Alberta repeatedly and brute-forcibly shallow-fracked her community of Rosebud's aquifer and poisoned



her rural water well.⁸ In fact, after filing the court documents, Encana - which does not seem to be in the least bit bothered by Ernst's court action that received national and international attention by the media - has recently and defiantly returned with its drilling rigs and equipment to continue fracking Ernst's aquifer. What's the message here? Why hasn't the government of Alberta stepped in to implement a moratorium on Encana's permits and leases in the Rosebud area?

Since early 2006, Ernst, a trained oil-patch professional, demanded the proper scientific answers, records, and data from both the Alberta government and Encana about happened to her fresh water aquifer. Her unswerving determination to discover the ugly truth, which still continues to this day, was filled to the brim with disappointments, particularly in Alberta's regulator, the ERCB, which even attempted to banish Ernst! As a result, Ernst has gained a deep and bitter perspective on how the Alberta government actually behaves in "the public interest," namely that the present administration acts to further the selfish and greedy interests of the petroleum sector over the rights and interests of its citizens. Indeed, Ernst is still standing in the sidelines with her skates on waiting to get onto the ice.

According to Alberta lawyer Keith Wilson, the present administration, which has been in power now for some forty years, has introduced some of the worst legislation in the history of western democracy (see below). This is the information that the people of Poland must learn about the government of Alberta, about the ERCB, and about Canada's Prime Minister Harper who hails from Alberta, particularly before Poland's legislators embrace the recommendations provided to it by North America regulators and change Poland's environmental, energy and tax laws and regulations. Alberta is already behind the petroleum iron curtain, does Poland want to go there as well?

After Dan Ferensowicz's short tour and media debut in Poland's southeastern Province of Lublin, he headed north to Pomerania to meet with officials there. The Baltic Journal (*Dziennik Bałtycki*) reported on July 29, 2011, *Is Canada Our Ally? (Gaz łupkowy na Pomorzu: Mamy sojusznika w Kanadzie?)*, about a meeting Ferensowicz had in Gdansk where he met with representatives of Gdansk's RDOS (Regional Director of Environmental Protection, Regionalnej Dyrekcji Ochrony Środowiska), members with the Regional Inspectorate of Environmental Protection (Wojewódzkiego Inspektoratu Ochrony Środowiska, WIOŚ), and representatives from Pomerania's provincial marshal's office (Urzędu Marszałkowskiego Województwa Pomorskiego). Someone from WIOŚ told the newspaper reporter that the meeting was jointly organized by the Polish Ministry of Foreign Affairs and Canada's embassy. The short article said that Ferensowicz urged the representatives not to give up on shale gas exploration.



Just over two months before Ferensowicz's tour of Poland, both he and ERCB Chairman Dan McFadyen were in Washington D.C. for a May 2, 2011 featured speaking engagement as part of the United States Energy Association's (USEA's) *Policy Briefing Series*. What did they say to the USEA about the ERCB? What did they say about regulating drilling and fracking? What else was said afterwards in private? Who else did they meet? Did anyone talk about Poland?

⁸ The court document and a host of information can be found at www.ernstversusencana.ca

After all, ERCB Board member George Eynon briefed fellow CAMPUT Energy Resources Committee members on May 15, 2011 that he had been in Poland in the Fall of 2010 to attend an event on shale gas regulation and met up with members from Talisman Energy and Encana:⁹

*George Eynon related his experience from his attendance at a session in Warsaw, Poland last fall which was also attended by two companies, **EnCana** and **Talisman**, who are also operating in British Columbia. He noted that **there are many challenges in Poland** but there is also tremendous potential. **Several government officials will be visiting regulatory agencies in Alberta and British Columbia later this month to seek a greater understanding of the way in which regulation is carried out in these jurisdictions.** George provided an overview of the European Unconventional Gas Summit held in Paris in January.*

Why did Alberta's taxpayers and the petroleum industry fund Eynon's trip to Poland in 2010? Was Eynon somehow instrumental as the ERCB's private broker between Poland and Canada/Alberta on issues and visitations related to unconventional gas/oil regulation?

10-(3). Who is ERCB's George Eynon?

Simple biographies from the ERCB and Eynon's former responsibilities with the American Association of Petroleum Geologists (AAPG) state the following. Alberta's Ministry of Energy appointed Eynon in April, 2008 as one of the ERCB's 8 board members. The ERCB's background information about Eynon is vague, only revealing that he "has over 25 years of technical and management experience in the upstream exploration and production oil and gas sectors worldwide with a number companies," and that he served with CERI, the Canadian Energy Research Institute.



When London, England native Eynon ran for chair of the AAPG's House of Delegates (where Eynon states it is "a body critical to the harmonious running of our Association's affairs") in 2002, the AAPG published the following information about his employment history:

Amoco Corp -- various positions & locations; (1972-1980); **Paramount Resources**, Calgary (1980-82); **Superior Oil International**, Stavanger, Norway (1982-84); **Suncor Energy**, Calgary -- VP Exploration (1984-89); **Bow Valley Energy**, Calgary -- VP Canadian E&P; **GEOS Energy Consulting**, Calgary -- President (1983-pres); **SMI Energy**, Calgary -- President & CEO (1995-96); **Ziff Energy**, Calgary & Houston -- VP, E&P Services (1997-98); **CERA - Director, Oil & Gas Resources** (1998-pres).

Included in that history is a long list of responsibilities with the AAPG from 1989 following, and a list of responsibilities and activities with the Canadian Society of Petroleum Geologists (CSPG)

⁹ CAMPUT Energy Resources Committee, Minutes of May 15, 2011 meeting, Sheraton Vancouver Wall Centre. CAMPUT is Canadian Association of Members of Public Utilities Tribunal, and has kept this name but is now known as Canada's Energy and Utility Regulators. Its website states: "CAMPUT is a self-supporting, non-profit organization of federal, provincial, and territorial boards and commissions which are responsible for the regulation of the electric, water, gas, and pipeline utilities in Canada."

from 1986 following, including a stint as both its vice president and president in the 1990s. Eynon has his toes on both sides of the professional geologist 49th Parallel border.

The March 2002 edition of AAPG's Explorer magazine also said that "George Eynon is director of oil and gas resources for **Cambridge Energy Associates** in Calgary," something not mentioned in other biographies.

On September 7, 2005, Vancouver-based **Derek Oil & Gas Corporation** announced Eynon's new position as one of its board directors. The media announcement said that Eynon was currently the "vice president, business development & external relations for the **Canadian Energy Research Institute**," (CERI) and "until recently he was responsible for CERI's natural gas research program." It also states that "in his new position George handles CERI's research marketing, business development, client and media relations, and publications, as well as its conferences and training programs." He also "made numerous presentations and chaired technical sessions at industry and professional association conferences, and authored numerous publicly available, in-house and client-confidential reports and papers; and has conducted numerous short courses, board briefings, and corporate consulting sessions."

On November 16, 2007, Eynon gave a presentation at a *Natural Gas in North America: Markets & Security* forum held in Houston's Baker Institute at Rice University. His paper was called *Canadian Supply Developments: Implications for North America*.

In an opinion piece by Eynon published on November 21, 2005, the 'more information' tab at the bottom of the website article said that he was involved in a monthly geopolitical events journal on energy markets called *Geopolitics of Energy*.



Eynon travelled to Paris at the end of January, 2011 to appear as a speaker at the *European Unconventional Gas Summit*. All the EU and Poland frackers were there, and so was **David L. Goldwyn**, who was no longer with the U.S. State Department as its former official Global Shale Gas Initiative organizer and pusher. In fact, Eynon was on the same panel with Goldwyn, under the panel theme *Unconventional gas regulations and framework: comparing European and North*

American challenges and solutions. Other members of the same panel included:

Andresj Jasinski, advisor to the chief inspector of environmental planning with Poland's Ministry of Environment; **Michael Gessner**, the Director of the Energy, Climate Protection and Mining Department,

Germany's Ministry for Economy and Energy of North Rhine-Westphalia; and **Anne Højer Simonsen**, the Deputy Director General of the Danish Energy Agency.



15:45 Unconventional gas regulations and framework: comparing European and North American challenges and solutions

- Hear legal and regulatory success stories from North America and assess how they can impact your business
- Gain insight into how land ownership and compensation terms influence the bottom line of profitability
- Understand how unconventional gas will contribute to government policies regarding security of supply, climate change and energy diversification
- Discuss the effects of public perception and opposition on regulatory frameworks and industry
- Minimise the environmental footprint of unconventional gas: water and waste management and sustainable disposal of fracking fluids

Session moderator: **Russ Bellis**, Exploration Director, **ExxonMobil**
David L. Goldwyn, Special Envoy and Coordinator for International Energy Affairs, **U.S. Department of State**

Andrzej Jasinski, Advisor to the Chief Inspector for Environmental Protection, **Ministry of Environment Poland**

Michael Gessner, Director of the Energy, Climate Protection and Mining Department, **Ministry for Economy and Energy of North Rhine-Westphalia**

Anne Højer Simonsen, Deputy Director General, **Danish Energy Agency**

George Eynon, Board Member, **Energy Resources Conservation Board, Alberta Canada**

Q & A

Why you should attend the European Unconventional Gas Summit

- Meet the stakeholders in the **emerging unconventional gas value chain**: North American and international gas majors, shale gas wildcatters, European operators seeking **partnerships** and stakes in unconventional plays, pioneering prime contractors, and proven secondary contractors providing **state-of-the-art technology**.
- Understand how **European regulations** are being defined and adapted by drawing upon **lessons learned in North America** and interacting with our **unrivalled representation of ministerial and regulatory speakers** and resource holders.
- Learn more about the role of unconventional gas in the future fuel mix and its **impact on global geopolitics**.
- Hear the **latest technology advances** that make unconventional gas economically feasible: **improving bottom line efficiency** by excelling hydraulic fracturing, horizontal drilling and 3-D seismic imaging.
- **Overcome environmental risks, water management challenges** and solutions to develop unconventional gas in Europe.

As a result of his appearance at the unconventional Paris conference, Eynon managed to get the spotlight in one of Natural

Gas Europe website's feature articles, *Shale Gas Rules & Regulations - North America versus Europe*, February 15, 2011. Here, again, ERCB's reiterated theme of "the public interest":

Mr. Eynon told conference attendees at the European Unconventional Gas Summit Paris 2011 that his organization had been around for 72 years.

"We've looked at all the problems so far and are looking at them when a new source comes along," he said, in an obvious reference to unconventional gas.

Eynon said his organization had worked in numerous oil & gas jurisdictions worldwide and said, based on those experiences, there were advantages to having a good regulator in place, like good data to start from.

*"We've probably drilled 450,000 wells," he reported. "A **well regulated industry environment** can ensure that **the public interest** is served properly; it makes it easy for the industry, which is one of the reasons we get so much activity in Alberta."*

According to Eynon, the ERCB is at arm's length from the government and was delegated responsibility for creating regulations.

"We gave a close relationship with industry itself," he explained, "because they have the knowledge of the technology that helps us create the regulations properly."

*Eynon continued, "**It's important to have a regulator at arm's length and have a connection to the public where the activity takes place.** We are a single regulator. When you have members of the public¹⁰ who have legitimate objections, there's someone to listen to their complaints."*

*He said the organization's mandate was important: to ensure that developments take place in a manner that is fair, responsible and **in the public interest.***

*He listed some of the criteria that lie **in the public interest.***

*"**Public health is obvious**, while resource conservation are [sic, "is"] charged with getting an optimum recovery rate and maximizing resources; **protection of the public purse is not something the public's always aware of**; ensuring the wells and facilities are not left and there's someone around to cover the financial liability, as there's an enormous potential for financial liability, so we create mechanisms to mitigate those," explained Eynon.¹¹*

He mentioned a 'licensee liability system' whereby companies had to post a bond to the extent they were not able to cover their liability at drilling operations.

Eynon explained that orderly development meant balancing residents' concerns with a company's. He said he believed the two sides had the ability to coexist.

*"A large number of residents are employed by the industry in Alberta," he stated. "We have **250 employees doing inspections**, making sure the regulations are being followed."¹²*

According to Eynon, the ERCB was adapting regulations to accommodate unconventional resources by looking at the organization's experience with coal bed methane, and by examining best practices in other jurisdictions.

"Some of the states leave a bit to be desired in terms of the compliance end of completion," he commented, adding, "with all respect to my America colleagues."

¹⁰ The "public", but not landowners.

¹¹ From recent government data, the province of Alberta has incurred an unprecedented debt of some \$27 billion in liabilities from abandoned wells by the petroleum industry.

¹² In a September 10, 2011 public presentation, Andrew Nikiforuk stated from data retrieved from the Alberta government that the ERCB has done an abysmal job in conducting inspections of wells in Alberta. Videos of Nikiforuk's presentation can be found on the B.C. Tap Water Alliance website, www.bctwa.org/FrackingBC.html.

In terms of the impact of high volume, high pressure multiple fracks, Eynon said the ERCB was “not particularly worried about groundwater protection, but rather the levels above and below that already have been or will be exploited.”

Mr. Eynon stressed the importance of effective communications with stakeholders, including the public and industry.

“There is a large number of fracks and wells on a pad,” he explained, “and you’re going to be there for 15-18-21 months and you’re only dealing with one square mile. Those pads become a light industrial site and you’ve got to reconcile that if it’s happening in small towns. This is a very different process and we’ve had to think about how to manage that.”

“We’re working with industry to make sure that they consult with the public,” concluded Eynon, “so when and if there are objections we can arbitrate between the industry and the public.”



In the Natural Gas Europe article, Eynon paints a very rosy picture, but unfortunately his bouquet of regulatory roses is somewhat thorny. It’s probably no coincidence that Eynon was appointed to speak in Paris. And, it was probably no coincidence that he appeared again beside David Goldwyn on yet another international gas conference panel later that year. After all, both Goldwyn and Eynon were members of a steering committee responsible for planning the next North America Gas Summit.

STEERING COMMITTEE

We would like to thank our steering committee:

- **Matthew Most**, Vice President Environmental Policy, **Encana Natural Gas**
- **Guy Caruso**, Senior Advisor, **Center for Strategic & International Studies (CSIS)**
- **Richard Kolodziej**, President, **NGVAmerica**
- **David Goldwyn**, President, **Goldwyn Global Strategies** and Former Special Envoy for International Energy Affairs, **US State Department**
- **Rick Smead**, Director, **Navigant Consulting**
- **Terence Thorn**, President, **JKM Consulting**
- **Guy Lewis**, Managing Director Exploration & Production, **Gas Technology Institute (GTI)**
- **George Eynon**, Board Member, **Energy Resources Conservation Board Alberta, Canada**
- **Benjamin Schlesinger**, President, **BSA Energy**
- **Dean Girdis**, President, **Downeast LNG**

“...it’s time to get bullish on natural gas...”

**Aubrey McClendon,
CEO, Chesapeake**

As one of the conference planners, Eynon appointed himself to be on the afternoon panel called *Policy developments and regulatory frameworks - understanding environmental, legal and public concerns and their influence on business decisions*, on day one of the *North America Gas Summit* held in Washington D.C. at

the Washington Marriott on October 2, 2011. The panel was chaired by Gregory Rizzo, the group vice president of U.S. regulatory affairs, **Spectra Energy**. The other panel members were: Jeff Wright, the director of office for Energy Projects under **FERC** (the Federal Energy Regulatory Commission); and David Goldwyn, president of Goldwyn Global Strategies.

POST-CONFERENCE MASTERCLASS

SHALE GAS FOR EXECUTIVES

Join our interactive masterclass to benefit from in-depth learning centred on your critical business needs. Gain invaluable insight into how the shale gas boom, regulatory and environmental challenges will affect your bottom line and influence strategic and commercial decisions.

Topics include:

- **Environmental and regulatory concerns**
 - resolve bottlenecks around hydraulic fracturing and understand how to best plan your resources, including water planning and management

14:00 Policy developments and regulatory frameworks - understanding environmental, legal and public concerns and their influence on business decisions

- The industry's social licence to operate: regulatory framework and the public interest
- Regulating the industry: operational requirements, industry performance, compliance assurance
- Addressing high-media gas drilling, fracking and deep offshore wells issues - how media influence public perception and the New York Times example
- The challenge of fracking regulations and how they will impact your business decisions
- Ensuring compliance from gathering to distribution lines – latest regulatory challenges and advances

Chaired by: **Greg Rizzo**, Group Vice President, U.S Regulatory Affairs, **Spectra Energy**, President and CEO, **Spectra Energy Partners**

Jeff Wright, Director of Office for Energy Projects, Federal Energy Regulatory Commission (FERC)

David Goldwyn, President, **Goldwyn Global Strategies** and Former Special Envoy for International Energy Affairs, **US State Department**

George Eynon, Board Member, **Energy Resources Conservation Board (ERCB)**

Q&A

15:10 Afternoon coffee

15:40 The crucial counterpart to increasing supply: demand creation – what can be expected by when?

10-(4). Toxic Wasteland Alberta: A Cautionary Tale for Poland. The ERCB and the Big No-No: Drilling-Toxic-Waste Land-Spreading in Alberta ... “in the public interest” (NOT)

Any propaganda should be abandoned for the sake of fact-based communication. (Paul Ferenowicz, ERCB, July 27, 2011, Lublin meeting, Poland.)

A group of Alberta landowners called Alberta Surface Rights Group¹³ posted an informational article in May, 2011 called *Land Spreading Drilling Waste - Things You Should Know!* The article was a copy of an informational bulletin distributed to an email list in mid-2010 detailing information about concerns related to the Baytex tar sands producer in the Three Creeks area northeast of the town of Peace River. It was about ERCB’s landspreading permit to Baytex on Carmen Langer’s farm and livestock lands. It began with the following paragraphs:

Land Farming

The sheer idiocy of landfarming and the Alberta government’s handling of it, defies logic and all concern for our health. Our government allows industry to dispose of their contaminated oilsands waste on the clean soil we use to grow our food. Science shows us that this practice poisons air, soil, water, plants and animals; all of the things we depend on to lead long and healthy lives.

Landfarming has been called different names in different places, at different times; landspraying, landspraying while drilling, landspreading, landfarming. Alberta changed the name to “Biodegradation” in last month’s edition of Directive 50¹⁴ (landfarming regulations). This is a misnomer as only the organic components biodegrade. The toxic oilsands waste being spread on fields has been biodegrading in the ground for 60-100 million years. The toxic material we’re pulling out of the ground has resisted biodegradation for millions of years. (1) How can the Alberta government claim it will biodegrade on a farmer’s field in a couple of growing seasons?

It’s not just “oilsands waste” (quoted above) that was being sprayed over public and private lands in northern Alberta - a serious problem - but toxic drilling fluid and mud waste from the numerous gas and oil drilling operations throughout Alberta.

How long has this practice been permitted in Alberta? Why was it allowed to begin with, and who allowed it? Which arm of government regulates it? Who watches where the waste is going? What’s in the waste? Is it radioactive? How many people are responsible for accurately monitoring the ingredients and impacts of this contaminated waste to groundwater, to streams and rivers, to dust particles air-blown over Alberta by its frequent winds and distributed who knows where, to the effects of living

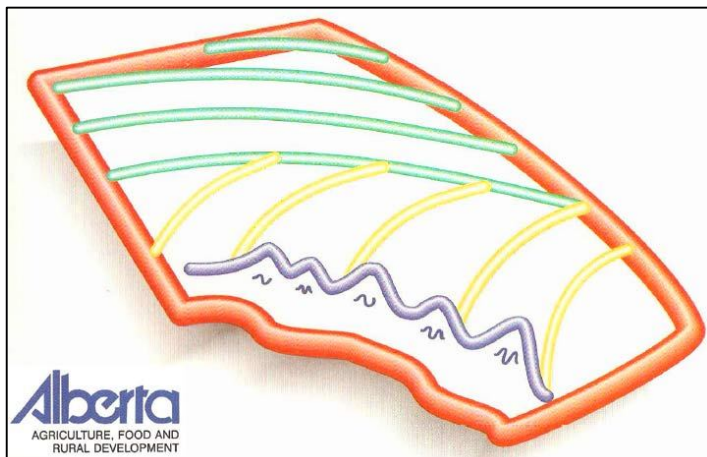


¹³ www.albertasurfacerights.org

¹⁴ On the ERCB’s website, www.ercb.ca, is a page devoted to *Directive 050: Drilling Waste Management*, and provides some background information on drilling waste regulations and guidelines.

creatures, to the health effects of people, and to Alberta's beef livestock and food crops such as wheat and grains? Where else is this occurring in Canada? Move over Rachel Carson!

The front-page of the October 2007 edition of The Alberta Native Plant Council Newsletter featured an article by Cheryl Bradley, *Drilling Waste on Native Prairie - A Critical Review*. The article began by summarizing some of the history of Alberta's strange and vile practice of landspraying:



Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT

Drilling Waste Management

This video explains the proper disposal of drilling waste from oil and gas operations in Alberta. The disposal of drilling waste must be done using environmentally acceptable methods that comply with strict guidelines. Landowners, the oil and gas industry, educational institutions and other interested groups will find this video a good source of information on drilling disposal methods and waste management guidelines. It focuses on the rights of the landowner, but the issues are discussed from the points of view of the oil and gas industry, the government agencies involved and the landowner.

17 min 1998

*Alberta Native Plant Council members interested in minimizing the effects of the oil and gas industry on native prairie will be interested in a report entitled **Landspraying While Drilling (LWD) Review** prepared by a team within Alberta Sustainable Resource Development (ASRD).¹⁵ Although written in December 2003, the report was not publicly released until summer 2006. This is probably because the results of the review of landspraying while drilling reflect badly not only on industry's operations but also on government's ability to effectively monitor and enforce compliance.*

Landspraying while drilling (LWD) is the practice of disposing of waste drilling fluids by spraying them onto land using vacuum trucks. LWD began in the 1990s on cultivated land as a way of avoiding the need to construct sumps for drilling waste disposal or haul to a disposal facility. It began as a practice on public land grasslands in 1998 after a two-year field study (by Pedocan) and a further two-year trial period led to the conclusion that at appropriate application rates there were not significant effects on rangeland function and soil quality. Conditions were applied to the practice on public land. LWD was widely used by Encana in CFB Suffield; but was not allowed by the Special Areas Board.



Photo, left, borrowed from **Gangster Enterprises** website, a petroleum service company, showing typical landspraying operations in rural crop land Alberta.

¹⁵ The 2003 report eventually released in 2006 was either never on, or was removed from, the internet.

New Expectations for Drilling Waste Disposal

Three regulatory agencies—the Alberta Energy and Utilities Board (EUB), Alberta Agriculture, Food and Rural Development (AFRD), and Alberta Environmental Protection (AEP)—and representatives from the energy industry, joined forces in 1994 to develop a consolidated set of draft guidelines for drilling waste disposal. Extensive industry, government, and public input resulted in the publication of the material in this *Guide 50 Drilling Waste Management*.

A fundamental principle of this guide is that **the proper management of drilling wastes is the responsibility of the holder of the well licence.**

*In 2001, provincial public land managers noted increased vegetation stress from drought conditions - conditions which appeared to aggravate potential impacts of LWD. **The practice was suspended on public rangelands. In CFB Suffield the practice was allowed to continue on industry pipelines and trails.** A government review of LWD was initiated in 2003 when oil and gas companies requested a lifting of the moratorium. The review included examination of hundreds of LWD case files and field inspection records, a field audit of LWD sites at CFB Suffield, a review of LWD alternatives, and feedback from land managers in ASRD, Special Areas Board, Eastern Irrigation District and CFB Suffield. **The review of files and records revealed a number of major issues** including LWD outside of approved areas, no final field report, field plans of poor quality, heavy loading rates and siting problems. The survey of sites within CFB Suffield revealed poor distribution of LWD residual solids resulting in skins and mudpacks which smothered grassland vegetation; rutting of soft soils; and LWD application on sensitive sites including sand dunes, watercourses, wetlands and steep slopes.*

4.0 Landspraying While Drilling on Native Rangeland - List of Issues

After reviewing the available data and inputs, the LWD Review Team identified the following key issues which were grouped as administrative, operational, or environmental related issues.

Administration Issues

- Lack of notification by industry on where and when LWD occurs.
- Poor documentation of locations, accuracy, readability, type of reporting. Inadequacy of referral mechanism.
- Inadequacy of referral mechanism
- Assigning an appropriate disposition type and associated consents to LWD activities.
- Cost recovery for administration - fair return of use.
- Industry accountability for revisions when project amendments occur.
- Enforcement [and role of other agencies in this].
- Closure mechanism for file: what are the requirements?
- Creation of tracking mechanism [self reporting vs. our reporting].
- Industry requirements.
- Penalties for violations under the Public Lands Act.

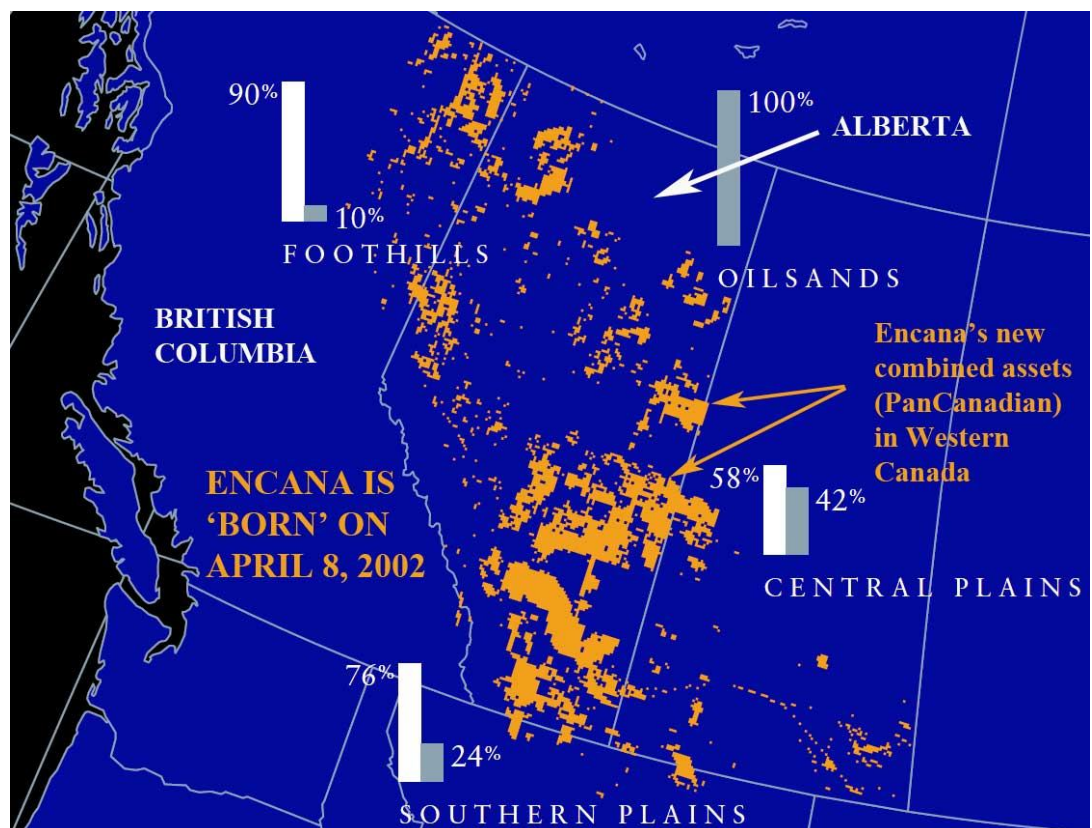
The main reason why the ERCB permitted landspreading practices in Alberta was for petroleum companies to cut corners on cumulative costs from otherwise hauling voluminous drilling and other production wastes to licensed toxic waste disposal and landfill sites. Where or how have/are those costs being otherwise transferred? What are all the transferred 'costs' to the ecosystems and to society over time, and who ends up paying the cumulative price?

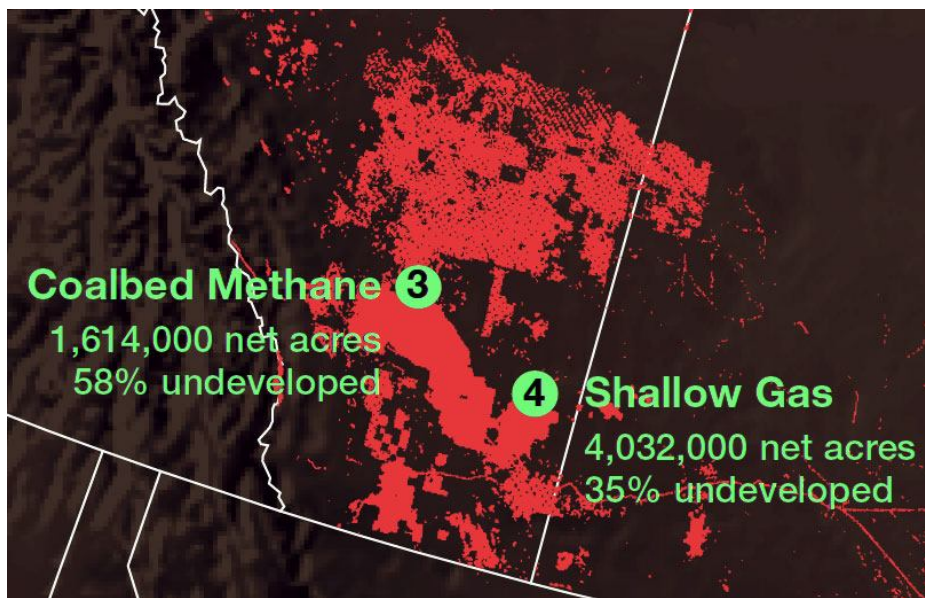
3.0 Discussion and Summary of Review Findings

The review of the LWD file paper trail and of field inspection reports from the Medicine Hat office highlighted a number of failures and problems, which were common to both review components. The most common problem was that of LWD projects being applied outside of the approved area. A number of cases had no final field report, many field plans were of poor quality and not useful in the review process, or, no approval had been obtained for the LWD project. The next most common issue was that of heavy loading rates of LWD materials. Finally, siting problems were common to both review components with LWD materials being applied through watercourses, on high value wildlife habitat like sagebrush cover and on fragile sand dune sites.

One of the prominent stories in Alberta concerning landspreading occurred in southeastern Alberta over a vast native grassland prairie landscape generally known as Suffield. It's a story about how Encana - one of the most powerful and influential petroleum companies in Alberta, and its notorious corporate culture of defiance and disrespect - clashed with the Department of National Defence and the Suffield National Wildlife Area defenders. It's a story about the strange new face of Alberta shaped by the emerging influence of Encana-international with its fingers in both unconventional shale and tar sand pies. Its captain and commander was Gwyn Morgan.

Image from Encana's first annual report, 2002. Encana acquired and merged with PanCanadian's holdings. In years to come, Encana would acquire additional land and lease assets.





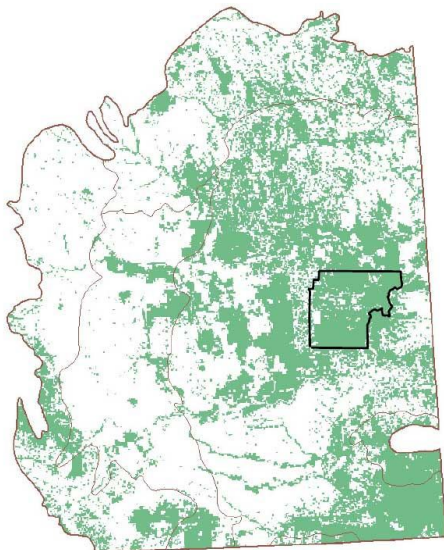
Images from Encana's annual report, 2005. The Suffield area is identified within Encana's "shallow gas" zone 4. The "coalbed methane group" includes the area where Encana was fracking the town area of Rosebud from 2001 onward. In 2005 alone, Encana drilled 3,163 unconventional gas wells in British Columbia, Alberta, Saskatchewan, and in the United States. In the general Suffield area, the company drilled over 1,200 wells. That's a lot of drilling and mud waste, and a lot of fracking.

Natural Gas		Production (MMcf/d)		Capital (\$MM)		Wells drilled (net)	
		2005	2006F	2005	2006F	2005	2006F
①	Greater Sierra	219	225 - 235	417	340 - 350	164	150
②	Cutbank Ridge	92	160 - 165	510	500 - 520	135	115
③	Coalbed Methane	57	150 - 160	386	440 - 460	1,084	800
④	Shallow Gas	625	610 - 620	333	290 - 295	1,267	1,060
⑤	Jonah	435	510 - 530	300	500 - 530	104	210
⑥	Piceance	307	300 - 320	661	510 - 550	266	260
⑦	Fort Worth	70	90 - 110	170	220 - 260	59	105
⑧	East Texas	90	90 - 110	227	160 - 200	84	65
Subtotal - Gas		1,895	2,135 - 2,250	3,004	2,960 - 3,165	3,163	2,765

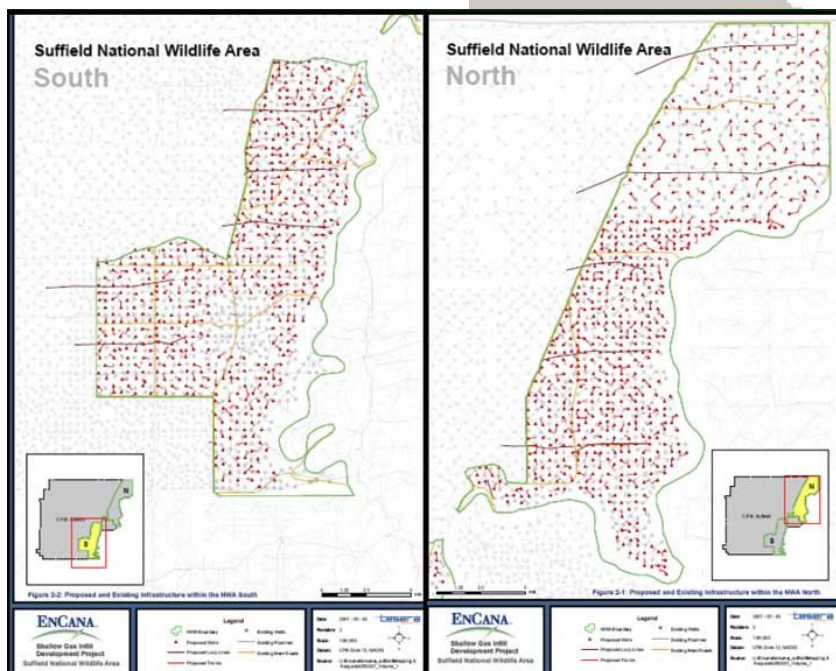
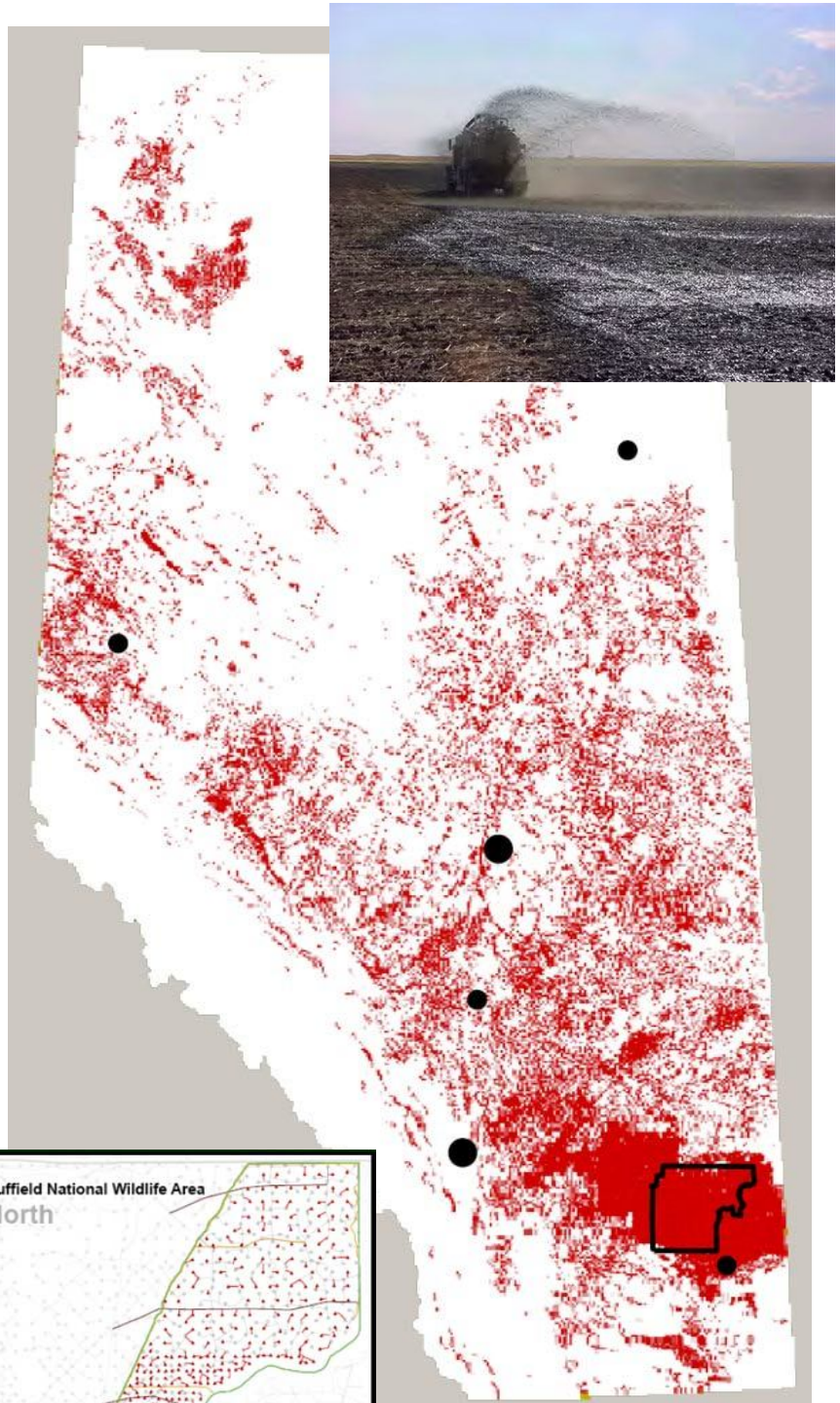
As natural gas well production increased in Alberta, so did the increases in toxic drilling waste and mud volumes, and industry's desire to cut costs. Landspreading measures were introduced in the early 1990s as a result. The graph to the right was from accumulated well data up to 2005, presented by Dr. Brad Stelfox at the Suffield-Encana public hearings in 2008. The left column shows the number of wells developed in Alberta.



Dr. Brad Stelfox's presentation, *An Evaluation of the Cumulative Effects Assessment of Encana's Gas-Infill in the National Wildlife Area of Suffield*, to the Joint Review Panel on October 15, 2008 included this map (right) of Alberta showing the area scales of natural gas locations and the location (in black outline) of the Suffield National Defence lands.



The area in green (above) shows the “remaining native prairie in Alberta’s Grassland Natural Region.



Encana's proposal locations for 1,275 additional wells in the Suffield National Wildlife Area. Stelfox said that the “scale, magnitude and intensity of the proposed gas well infill, in combination with existing footprints, and other landuse regimes, necessitated a proper cumulative effects assessment.”

Final Conclusions

I conclude that the CEA methodologies employed by Encana could not have detected a cumulative effect even if a profound one did exist.

One of Canada's largest army bases is taking on oilpatch heavyweight EnCana Corp. over the firm's aggressive drilling plans on its ecologically sensitive lands in Southeastern Alberta. For the past 30 years, Canada's largest natural gas producer and CFB Suffield, located 50 kilometres northwest of Medicine Hat, have worked side by side to share the use of a vast expanse of hydrocarbon-rich land, where many of EnCana's wellheads are held in underground culverts capped by a steel plate to allow tanks to move freely on top.

The Department of National Defence owns the surface rights on the 2,690-square-kilometre property, while the Alberta government owns the mineral rights.

Now, the base is pushing back on an escalation of oil and gas activity -- including plans by EnCana to double the number of wells in an area in the eastern part of the range designated in 2003 as a wildlife refuge.

The base says industry is harming the native Prairie habitat and has the potential to get in the way of war games.

The Suffield natural gas play is one of EnCana's top fields and a big part of its strategy to focus on resource plays in North America. The strategy involves drilling a large number of wells to produce natural gas from so-called tight reservoirs.

Already, there are 9,500 EnCana wells on the base and another 1,154 in the refuge. EnCana wants to increase the concentration of wells on the base by 550 a year, and to more than double the wells in the refuge in the next three years.



Lt.-Col. Daniel Drew, the base's new commander, said he's "drawing a line in the sand" and will not allow more than 16 wells per section on the base.

"There has been a tidal wave of gas drilling in the last five years," said Lt.-Col. Drew, a paratrooper, U.S. Army Ranger and graduate of the Royal Military College of Canada and the United States Marine Corps

Command and Staff College. His past assignments included tours of duty in Bosnia, Croatia and Cyprus.

"We have gone from drilling 50 wells a year to now up to 1,000 wells a year. I have a responsibility to the people of this country and to the environment to find out a little bit more before we make rash decisions and allow people to take measures that will effectively destroy the environment. ('A Line in the Sand,' the National Post, January 14, 2006)

Above: Concluding remarks from Dr. Brad Stelfox's presentation.

The story goes that a citizens group filed a Freedom of Information request to the ERCB asking to get a copy of the 2003 document, *Landspraying While Drilling Review*, because the ERCB had kept it from the public.

That's why the documents surfaced, were handed over to Lieutenant Colonel Daniel Drew, who then involved the Canadian army. Encana was not only messing with the public, it was now pushing the Army's buttons, and it was landspraying the grassland before and after the Wildlife sanctuary was created in 2003. Oil patch workers were even running over endangered rattlesnakes.

The reason why the secret 2003 report was done was because Encana was creating problems from its toxic landspraying activities on the sensitive Suffield grasslands. Why did the ERCB hide the 2003 study, as Encana continued to landspread?

EnCana is **committed** to demonstrating **leadership**, engaging stakeholders and increasing transparency.

Lt.-Col. Drew got so upset at one meeting with the company that he told those in attendance he would rather be with his son in Afghanistan hunting down the Taliban than dealing with EnCana on oil and gas issues.
(Calgary Herald, February 5, 2006, *Fighting for the Prairie Grassland*)

On July 1, 1996, guidelines for LWD on White Area public land grasslands were approved for a two-year trial period, as a method to reduce the area of native prairie disturbed during sump construction. The approval of the guidelines had been pursuant to a field study undertaken during 1994/1995 to monitor effects of LWD on native prairie using conventional equipment and methods. The research project concluded that little adverse effect was observed save for short-term coating of vegetation by land spray materials until rainfall washed materials off or until it was redistributed by wind.

By 1998, after a further two-year trial period, Public Lands accepted LWD as a potential disposal practice on native grassland, provided appropriate conditions were adhered to. In 2001, due to increased vegetation stress from drought conditions in the Grassland Natural Region, Alberta Sustainable Resource Development - Public Lands and Forest Division, suspended the authorization of Landspraying While Drilling (LWD) on public rangeland, native prairie throughout the province. A review has been initiated because of industry's request to lift the moratorium and desire to continue using LWD on native prairie on public rangeland.

Super Floc	Organic Polymer	Flocculants	All
Super Sweep	Treated polypropylene fibre	Viscosifiers	Federal Wholesale/Millennium
Super-Col	Extra high yield bentonite	Viscosifiers	Baker Hughes Inteq
Superlig	Lignite	Thinners, Dispersants	Canamara United
Superwet 250	Non-ionic water wetting agent	Surface Active Agents	Brine-Add Fluids
Surf-Cote/Omni-Cote	Oil wetting agent	emulsifier	Baker Hughes Inteq
Suspentone	Organophilic viscosifier for oils	Viscosifiers	Baroid
Sweep-Wate	Selectively sized barite for high density sweeps	Weighting Materials	Baroid
Synerchem CS-50	Chloride free amine inhibitor	Shale Control Inhibitors	All/Synerchem
Synerdrill FR-1	Acrylamide AMPS co-polymer	Filtrate Reducers	All / Synerchem
Synerdrill FR-2	Sulfonated pam	Filtrate Reducers	All / Synerchem
Synerfloc D-40	Poly DADMAC	Flocculants	All/Synerchem
Synerfloc D71181	Cationic Co-polymer	Flocculants	All/Synerchem
Synerfloc PA-50	Polyamine	Flocculants	All/Synerchem
Synerflow	Xanthan, guar, guar blends	Viscosifiers	Synerchem
Synerflow S	Sceroglucan	Viscosifiers	Synerchem
Synerfoam	Surfactant blend	Foaming Agents	Synerchem
Synerhib KF	Potassium formate	Shale Control Inhibitors	All/Synerchem
Synerplex	MMH	Viscosifiers	Synerchem
Synerperse	Liquid/dry LMW polymers	Thinners, Dispersants	All/Synerchem
Synerperse 35-50	Liquid thinner polyacrylate	Thinners, Dispersants	All/Synerchem
Synerthin EX	Power thinner polyacrylate	Thinners, Dispersants	All/Synerchem
Synervis	Guar gum	Viscosifiers	All/Synerchem
Synervis L	Guar gum liquid	Viscosifiers	All/Synerchem
Synerxan	Xanthan gum	Viscosifiers	All/Synerchem
Synerxan D	Dispersible xanthan gum	Viscosifiers	All/Synerchem
Synerxan L	Xanthan liquid	Viscosifiers	All/Synerchem
Synterra	Low viscosity synthetic olefin isomer drilling fluid	Systems	Baker Hughes Inteq
T-352	Gluteraldehyde	bactericides	All
Tannix/Tannex		Thinner	All
Tar-Clean	Anti-accretion for bitumen	Surface Active Agents	M-I Swaco/Federal
Temperus	Suspension agent for oil based and synthetic muds	Viscosifiers	Baroid
Teq Detergent 20L	Water-soluble, biodegradable detergent/rigwash	Surface Active Agents	Baker Hughes Inteq
Teq Floc RD	High mol. Wt. Anionic dispersible PHPA	Flocculants	Baker Hughes Inteq
Teq-Thin	Chrome-free lignosulfonate	Thinners, Dispersants	Baker Hughes Inteq
Therma Check	Extreme HT filtrate reducer	Filtrate Reducers	Baroid

A sample from PSAC Canada's long list of some 1,000 different ingredients and chemicals used for drilling and fracking



Federation of
Alberta Naturalists

Grasslands
Naturalists

Alberta Environment Abandons Watershed Responsibility in Suffield Region

Calgary (February 29, 2008) – Alberta Environment has abdicated its responsibility for provincial water and watershed management by declining to be involved in public hearings examining EnCana's application to drill 1,275 wells in the Suffield National Wildlife Area. The Suffield Coalition, comprising six provincial and national conservation groups, believes that Alberta Environment's decision is unacceptable, given the department's mandate to effectively manage the province's water supply.

EnCana has submitted water well drilling reports to Alberta Environment, and groundwater diversion licenses have been issued to EnCana for their operations on CFB Suffield. This clearly shows that Alberta Environment has responsibility for groundwater on the Base.

"In a semi-arid, drought-prone region, Alberta Environment should have something to say about freshwater being used for industrial purposes," says Cliff Wallis, vice-president of Alberta Wilderness Association. "Why is Alberta Environment keeping silent on these critical issues?"

EnCana's past record reveals a cavalier and careless attitude toward water. In October 2004, EnCana drilled a well in a wetland on federal land near the Suffield National Wildlife Area, violating federal wetland policy. For 11 months, EnCana ignored the Base's three formal written directives and several oral requests to remove the well, and only when threatened with expulsion from the Base did EnCana comply with the Base's demands.

In 2005, Encana released a report on frack and drilling fluids from a study conducted on its Suffield well operations, *Investigation into Water Based Frac Fluid use in Drilling Fluids Associated with Shallow Wells on the Suffield Block*. That study, posted on PTAC's website, was recently removed in November 2011, perhaps at the behest of Encana.

Recycling Frac Fluid Pilot



**INVESTIGATION INTO
WATER BASED FRAC
FLUID USE IN
DRILLING FLUIDS
ASSOCIATED WITH
SHALLOW GAS WELLS
ON THE SUFFIELD
BLOCK**



Metal Concentrations

ENCANA

Table #1 – Average Metals Concentrations in Recycled WBFF and Drilling Waste

Parameter	Recycled WBFF (mg/L)	Drilling Waste (mg/L)
Arsenic ←	0.0617	0.507
Barium ←	1.44	13.01
Beryllium	0.0629	0.00263
Cadmium	0.00	0.00213
Cobalt	0.0328	0.315
Chromium (total) ←	0.091	0.857
Copper	0.133	1.174
Mercury ←	0.0078	0.0214
Molybdenum	0.0218	0.0294
Nickel	0.0121	1.13726
Lead	0.0894	0.137
Antimony	0.004	0.00121
Selenium	0.0171	0.055
Tin	0.00167	0.0105
Thallium	0.0004	0.00263
Vanadium	0.172	1.94
Zinc	0.544	3.29

- After drilling was completed the resulting drilling waste was managed using the LWD disposal option as outlined in the EUB's *Guide 50: Drilling Waste Management*
- WasteCo Environmental provided all related drilling waste management services while EnviroTest Laboratories (ETL) conducted the analytical portion of the project

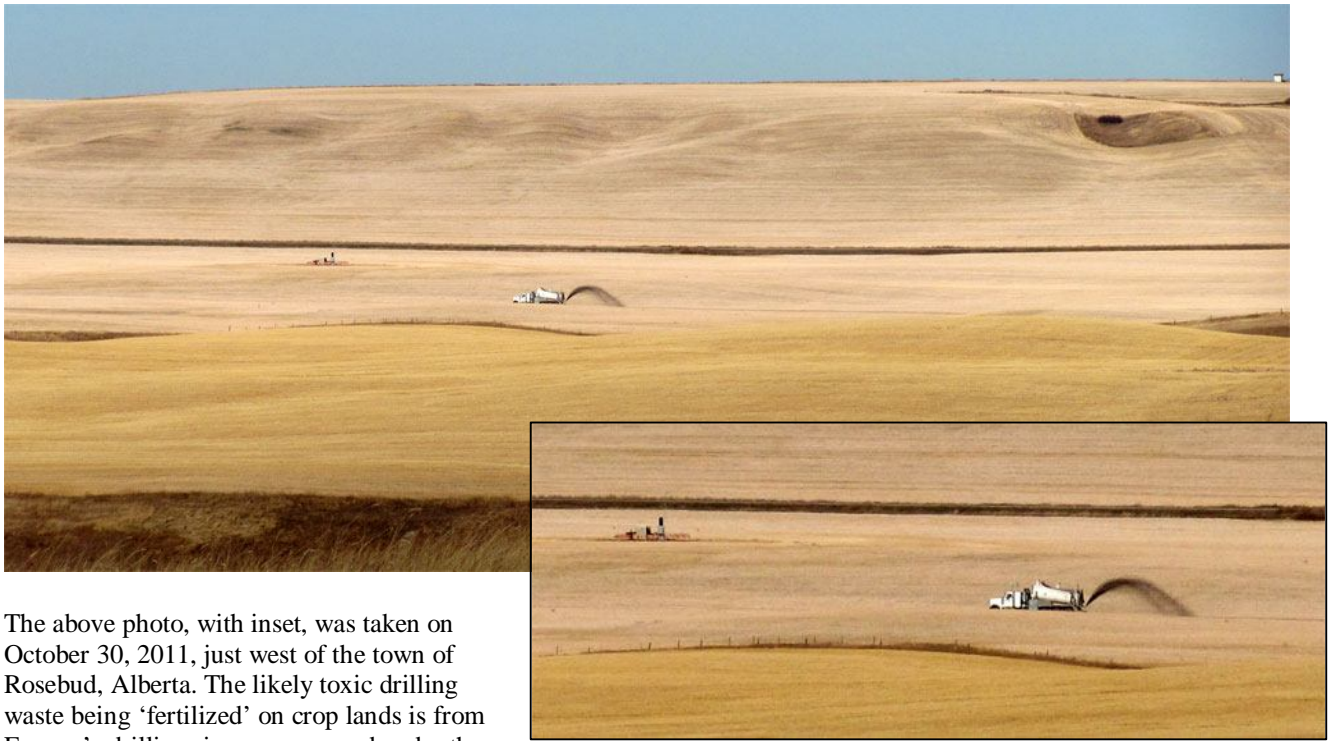
2. The resulting drilling waste should be suitable for Landspray While Drilling (LWD) disposal

3. There should be no measurable impact on the receiving soils as a result of the LWD

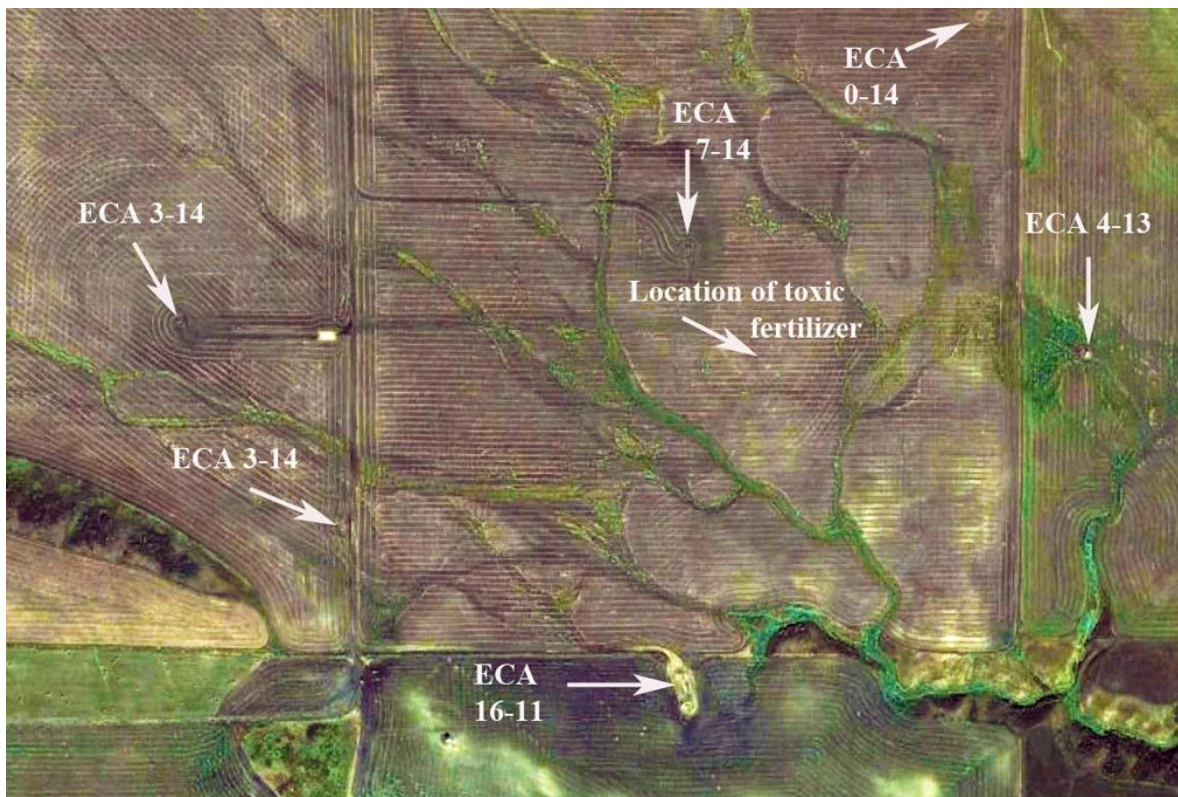
More excerpts from Encana's 2005 frack and drilling fluid study.



- Needed to evaluate whether or not there were any changes in the recycled WBFF after drilling
- The fluids were tested before (recycled WBFF) and after drilling (resulting drilling waste) for the following parameters:
 - Metals (full CCME metals analysis);
 - Microtox;
 - Hydrocarbons (CCME fractionization);
 - Detailed salinity; and
 - pH.



The above photo, with inset, was taken on October 30, 2011, just west of the town of Rosebud, Alberta. The likely toxic drilling waste being 'fertilized' on crop lands is from Encana's drilling rig very near and under the home of Jessica Ernst who is suing Encana for allegedly poisoning her, and her community's, drinking and domestic water wells. Note the dark line across the middle of the photo - the 'fertilizer' line. You can see one of Encana's gas wells (ECA-14) just left of the 'fertilizer' truck. Encana, unmoved by the court action, just keeps on fracking! The bottom is an enhanced image from Google Earth, showing well locations, the location of the 'fertilizer' truck in the top photo, and the dendritic water runoff patterns. The runoff drains into the Rosebud River system. Encana refused to inform Ernst of the chemicals used in the drilling fluids, and if it was fracking radioactive Fish Scale shales.



Investor questions for EnCana's Chief Operating Officer Randy Eresman



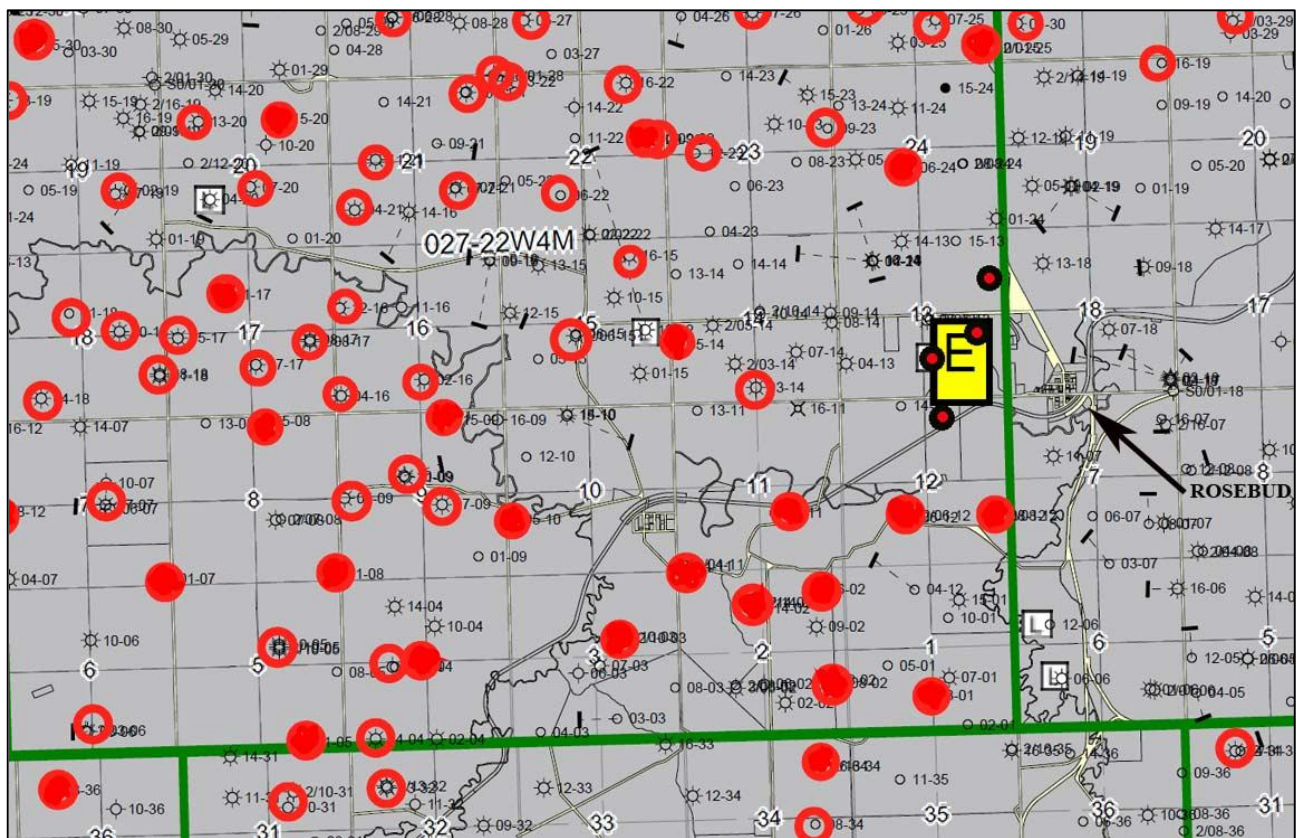
UNCONVENTIONAL EXECUTION



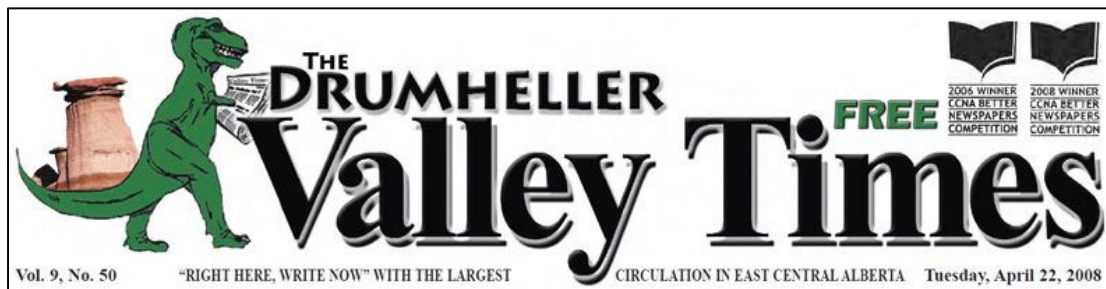
UNCONVENTIONAL
ENCANA CORPORATION
WHY INVEST IN ENCANA?

The Google Earth image above, between two re-administered cut outs from Encana's 2004 annual report, shows the town of Rosebud (far right). The four red rectangles are the locations and identities of Encana's 4 new wells, 3 of which were developed after the ERCB's new no-well spacing regulation. To the far upper left, the white arrow indicates the location of where the toxic landspreading is occurring near Encana's ECA 7-14 well as shown in the other photos above, giving the perspective of where all the toxic water runoff is heading. The toxified water that isn't surface bound, is groundwater bound, and some of the laced soils when dried become airborne as dust from the prevalent wind patterns and the dust settles in the valley where people live.

The day before Alberta Premier Allison Redford was crowned as the Petro State's new Conservative Party leader, the ERCB introduced a new, highly controversial regulation granting the petroleum industry the legal unrestrictive and unfettered right to overpopulate development locations of their oil and gas wells throughout Alberta. The preceding regulation had limited the numbers and placements of these wells within a given perimeter plan, and landowners had been deeply concerned about that policy. Now, all unconventional hell was about to break loose in Alberta just as the fracking fraternity was making other plans to propagandize the public and further entrench western Canada's provincial politicians into the New West Partnership agreement.



The image, above, is a section from Jessica Ernst's larger high resolution map used in her recent public presentations, *Shallow Gas Wells Drilled and Frac'd Near Rosebud, Alberta*. The red circles indicate the density of Encana's carpet bombing with coal bed methane gas wells in the area since 2001. The solid red dots indicate which wells were "perforated and or hydraulically fractured above 200 metres before April 2006," developed, that is, "above the base of groundwater protection before April 2006." Each square in this map represents a 'quarter section', and four quarter sections represent a square mile. The yellow rectangle marked "E" is the approximate location of Ernst's property, and the four circles with small red dots around her property are Encana's four new wells, the top one of which is not yet developed.



There's a mysterious story about what happened to the Drumheller Valley Times, the newspaper that began in 1999 in Alberta's Starland County dinosaur-famous town of Drumheller, some 25 kilometres northeast of Rosebud. The paper's editor, Isabell Fooks, began publishing stories in 2006-2007 about unconventional gas development, stories and letters to the editor about Encana. Sometime in late 2008 - early 2009, the newspaper was bought out by a new owner. Accounts from neighbouring businesses said they saw all the newspapers, archives, and even numerous picture frames of front page news editions that once lined the paper's office walls, thrown into a dumpster container and hauled away, never to be seen again. The paper no longer exists.

UNCONVENTIONAL PERCEPTION AND ADVICE

It took a few years of professional public relations experts butt-heading, and millions of petroleum dollars, to come up with the revelatory advice that the term “unconventional” was not a useful public image-shaping connotation. That “semantic challenge” advice was introduced in an unconventional conference held in Krakow, Poland on September 27, 2011 by public relations giant DF King’s subsidiary, M:Communications. It said, “The industry’s attempts to ‘normalize’ fracking use will in large part depend upon the success of its communications strategies in general and stakeholder programme in particular.” Three months later, Alberta’s Calgary Herald published an article on December 30, 2011, *Fracking Fears Spur Review of Oilpatch Regulations: Provinces Committed to Registry to Disclose Use of Chemicals*. In it, the Alberta Conservative Party government’s newly appointed Energy Minister (October, 2011), Ted Morton, said:

The Alberta government is pushing ahead with a regulatory overhaul to handle an expected boom in light oil production from resource plays, attributed to the application of advanced oilfield technology.

Energy Minister Ted Morton is committing the province to updating its rules, amid public concerns across the continent about the safety of multi-stage hydraulic fracturing, also known as fracking, which is being widely employed to tap previously unproductive reservoirs.

“We’re right on the front edge, I would predict, of a new renaissance in unconventional oil production,” Morton said.

There’s debate about whether to call the resource or the technology unconventional, since in Alberta, companies are targeting the tight portions of formations that have produced conventional oil for decades.



Photo of Ted Morton, Calgary Herald article.

Consternation rumbled across the country like an approaching thunderhead. For aboriginal leaders, one of their worst nightmares appeared about to come true. Two weeks before last June’s federal election, pollsters were suddenly predicting that Conservative leader Stephen Harper might pull off an upset and form the next government. What worried many in First Nations’ circles was not Harper himself, but the man poised to become the real power behind his prime ministerial throne: his national campaign director Tom Flanagan, a U.S.-born professor of political science at the University of Calgary.

Who are these men -- for they are, without exception, men -- in Harper’s backroom brain trust, collectively dubbed the “Calgary School?” Flanagan won his conservative spurs targeting the prevailing wisdom on the country’s native people -- what he calls the “aboriginal orthodoxy.” Others like Rainer Knopff and Ted Morton -- Alberta’s long-stymied senator-elect -- have built careers, and a brisk consulting business, taking shots at the Charter of Rights, above all its implications for the pet peeves of social conservatives: feminism, abortion, and same-sex marriage.

*A Globe and Mail report that once referred to Flanagan as the original godfather of the city’s conservative intellectual mafia. “I call him Don Tomaso,” (Ezra) Levant says, “He is the master strategist, the godfather -- even of Harper.” (Segments from, *The Man Behind Stephen Harper*, by Marci MacDonald, in the *Walrus Magazine*, October, 2004.)*

10-(5). ERCB IGNORES ALBERTA WHEATLAND COUNTY BY-LAW

At a regular council meeting of the Wheatland County board in Strathmore on April 1, 2008, County employee Steve Nedoshytko reported that Encana had just drilled two wells during a religious holiday on a golf course in the hamlet of Lyalta, some 15 kilometres northwest of Strathmore. It occurred from Friday March 21 to Monday March 24, 2008 during the Easter long weekend, and Encana did it in contravention of the Wheatland County's bylaw "that no wells will be drilled within 1.5 kilometres of a town or hamlet."¹⁶ The County's chief administrative officer Jennifer Deak said at the meeting that Encana "had no regard for our policies," and councillor Ken Sauve said "we have to investigate this now ... and we need to involve the provincial government and see what's going on."



RESOLUTION 08-154
Encana
Well Sites
5-8-25-26-W4

WHEATLAND COUNTY COUNCIL MEETING MINUTES OF APRIL 1, 2008

Wheatland County Landman updated Council regarding an Encana well site that was moved into the Muirfield development over the Easter weekend (March 21 – 24, 2008) and is located within the hamlet boundary (5-8-25-26W4M). Wheatland County initially objected to the well site proposal and an appeal to the Energy Resources & Conservation Board (ERCB) is on file. Wheatland County CAO and County Landman spoke to ERCB legal representatives on March 26, 2008, noting that the County continues to object to the well site within its hamlet. Recourse is to request that the wells be abandoned. Mr. Churchill, Manager of Transportation & Infrastructure, reported the incident with Courtesy Matters Committee. Councillor Sauve noted that he is scheduled to meet with the Courtesy Matters Committee on April 2nd – Councillor Sauve has requested attendance of the CAO and County Landman.

SAUVE MOVED that Wheatland County send a letter to the Energy Resources and Conservation Board, with a copy to Encana Corporation and Muirfield Development, requesting abandonment of the Encana well sites located at 5-8-25-26-W4M, based on Wheatland County's policy and specifically with regard to safety concerns.

• Carried.

After the April 1st meeting, Wheatland County officials were informed that the ERCB "had the final say on the wells." The newspaper article had the following quote from Deak: "The ERCB felt we didn't have any interest so they denied our appeal. They laughed at our safety concerns."

About 6 months earlier, the Strathmore Standard published a letter on September 12, 2007, written by Jessica Ernst, a letter which may have irked someone to later challenge the County's bylaw:

I am delighted that Wheatland County Council had the courage to deny new gas wells within 1.5 km of Rosebud. There are already many wells and compressors here. EnCana's rotting straw bale wall around two of these compressors indicates the level of disrespect the company has for the legal rights of Albertans and our environment. EnCana has violated my legal right to quiet enjoyment of my property for years.

Considering that EnCana perforated and fractured our drinking water aquifers, without conducting any appropriate data collection first, telling us, or fulfilling the regulatory requirements in place at the time (including applying for a permit from Alberta Environment before diverting water from the CBM well), I am pleased to see our council stand up to the

¹⁶ Strathmore Standard, *Methane wells in golf course anger County*, April 10, 2008.

rogue company. I have documents to substantiate this letter. If you want copies or more information, please let me know.

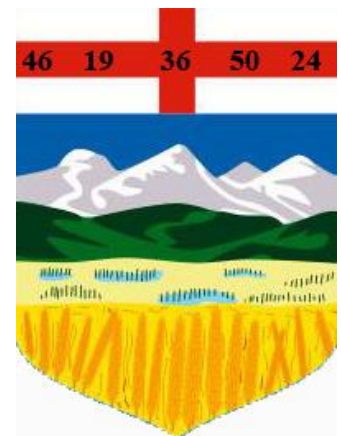
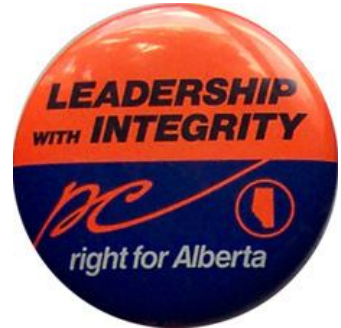
EnCana publicly announced in the government's water meeting in Strathmore last June that the company fractured over 40 wells in our county above the base of groundwater protection - without appropriate data collection first. EnCana declared publicly that it does not have to cooperate in the regulator's investigation at Rosebud. To the best of my knowledge, the required gas samples for fingerprinting (from EnCana's gas well that fractured our aquifers) have still not yet been taken and analyzed at the U of A, as promised in writing on March 13, 2006 by Alberta Environment's Compliance Investigator.

10-(6). Petro-Alberta's Regressive Laws

"It's quite a scary bill," said Laurie Danielson, executive director of an Edmonton-area industrial group called the Northeast Capital Industrial Association. "I have never seen a bill anywhere in the country that gives a government as much authority. This bill allows the government to decide whether you exist. It can wipe you out in a heartbeat." (Bill 36)

From about 2007, Alberta's long-reigning (41-year consecutive) 'Progressive' Conservative Party administration began instituting a series of regressive laws, some of which Alberta lawyer Keith Wilson has described as "drastic" and "unprecedented in a Western Parliamentary Democracy." Most of these bad Bills passed include:

- Bill 46 - the *Utilities Commission Act* (January 1, 2008)
- Bill 19 - the *Land Assembly Project Area Act* (2009)
- Bill 36 - the *Alberta Land Stewardship Act* (2009)
- Bill 50 - the *Electric Statutes Amendment Act* (2009)
- Bill 24 - the *Carbon Capture and Storage Statutes Amendment Act* (2010)



New Alberta Land Stewardship Act What is the Government is saying now . . .

Does the *Alberta Bill of Rights* Protect you?



- No, according to the Supreme Court of Canada and rulings of our Alberta Courts
Trelenberg v. Alberta Minister of Environment [1980]

- If a statute itself contains words that allow land and rights to be taken without compensation, then the Bill of Rights does not protect your property from the government
- Bills 19 and 36 allows property rights to be taken without compensation; therefore, the Bill of Rights provides no protection

The following are a series of images from Keith Wilson's November 25, 2010 power-point presentation, *Property Rights: Where did they go? Impacts of New Alberta Legislation on Landowner Rights.*

New Legislation Impacting Landowner, Lease, and Water Rights

- **Bill 36 – Alberta Land Stewardship Act**
 - *new powers for Provincial Cabinet to extinguish existing rights (water rights, land titles, grazing dispositions)*
 - *new central-planning by Cabinet that trumps local municipalities and other agencies*
- **Bill 19 – Land Assembly Project Area Act**
 - *authorizes the Provincial Cabinet to freeze land for extended periods of time – restricts compensation*
- **Bill 24 – Carbon Capture and Sequestration Act**
 - *government expropriates an element of land rights*

Bill 19 – Land Assembly Project Area Act

- allows the Alberta Government to freeze large tracts of private land for potential future use as roads, electricity transmission lines, pipeline or utility corridors
- typical freeze is for 30 years or more but can be indefinite – no time limit for the freeze
- Cabinet order is filed against your land title and served on your bank and other interest holders
- Order prevents you from making changes or improvements to your property without getting permission from the Minister of Infrastructure, Ray Danaluk

Bill 36 – Minister Morton

New Alberta Land Stewardship Act – New Powers

Sec. 11 - Cabinet's regional plans can amend or "extinguish" existing rights, licenses, dispositions, leases, approvals, permits, and land titles

Sec. 19 - no right to compensation if water licenses, NRCB approvals, land titles, development permits, grazing dispositions, subdivision approvals, etc are amended or extinguished

Sec. 13 - no right to appeal

Sec. 15(1) - binding on municipalities and all Albertans

Sec. 15(3) - no right to make claim against government

Sec. 15(4) - role and authority of Courts removed by the Act

Bill 24 – Carbon Capture and Storage Act

- No compensation is payable to the surface owner

- No right to bring a claim in Court

(4) It is **deemed** for all purposes, including for the purposes of the *Expropriation Act*, that **no expropriation occurs** as a result of the enactment of this section.

(5) **No person has a right of action and no person shall commence or maintain proceedings**

(a) to **claim damages or compensation of any kind**, including, without limitation, damages or compensation for injurious affection, from the Crown, or

(b) to obtain a declaration that the damages or compensation referred to in clause (a) is payable by the Crown,

New Alberta Land Stewardship Act How Could this happen in Canada and Alberta?

Constitution Act 1867 – sec. 92(13) – property and civil rights – provincial jurisdiction



- Land Titles Act – instruments, land titles
- Water Act – water licences
- Municipal Govt Act – development permits,
- Public Lands Act – grazing leases

- all provincial governments have included protections in their laws so that citizen's property cannot be taken arbitrarily, compensation must be paid, and provide protections through the Courts – **no longer true for Alberta**

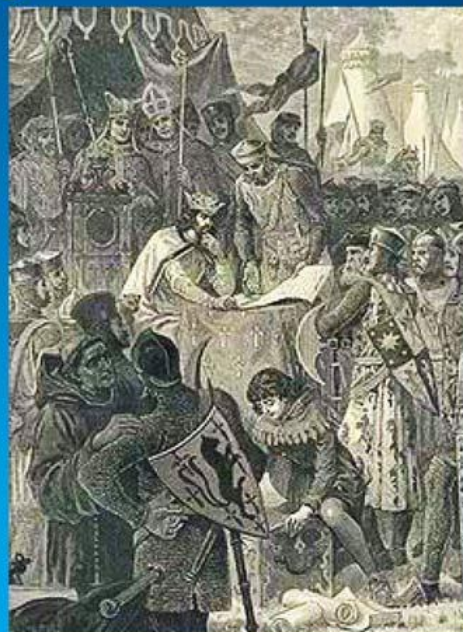
Conclusion – Where we began and Where we've Come To

In the year 1215, King John of England was forced by a group of his subjects (the landowners) to proclaim the **Magna Carta**.

It limited the King's power over their lands.

It established fundamental rights and freedoms.

Through the centuries democratic governments have carried on this tradition . . . But it is **no longer the case in Alberta**.



11. THE POLAND PORTAL PARTY

11-(1). Big Petroleum and the Instant U.S.-Poland Business Council

It was almost two months to the day since the April 8, 2010 opening shale gas gala conference in Warsaw that the political strategy to frack Poland, and whatever else, got seriously underway.

On June 7, 2010, Ambassador Robert Kupiecki wrote a congratulatory letter to Eric Stewart on his new appointment to the instantly established U.S.-Poland Business Council (USPBC):¹

The Polish Government wishes to promote the U.S.-Poland bilateral relationship.

We are glad to see so many experienced business leaders involved in the Council's development and look forward to welcoming a wide representation of business leaders from a broad range of industry and service sectors.

The Embassy of Poland will be very pleased to work closely with the Council in order to enhance the growing ties between the United States and Poland as well as facilitate efforts to increase bilateral investment and trade.



Who were these “business leaders” Kupiecki was referring to? Currently, there are 15 *board members* on the USPBC, each of which is obligated to pay a \$10,000 annual fee, three members of which have large investments in shale gas in Poland: **Chevron, ConocoPhillips, Marathon Oil**, United Technologies, FLUOR, Boeing, Amgen, AES, Archer Daniels Midland Company, General Electric (Hitachi Nuclear Energy), Owens-Illinois Inc., Raytheon, Westinghouse, Smithfield Foods Inc., and International Paper. *General members* on the USPBC are: **ExxonMobil**; Invenergy LLC; Eli Lilly; Metlife; Miller, Canfield, Paddock and Stone PLC; PhRMA; the Shaw Group Inc.; and the Timken Company. In addition, ex-officio Gary Litman from the U.S. Chamber of Commerce.

Eric Stewart also happens to be the executive director of the **U.S.-Turkmenistan Business Council** (USTBC), the very same council that David Goldwyn, the U.S. State Department’s Global Shale Gas Initiative guy, was a former member of. (Turkmenistan, which borders the Caspian Sea, the southwestern point of Kazakhstan, the southern border of Uzbekistan, the northwestern border of Afghanistan, and the northeastern border of Iran, is strategically positioned amidst the political energy climate of China-Russian-Iran.) These overlapping relationships are very intriguing,

¹ Part of the name may be a variation borrowed from the *Europe-American Business Council* which began its operations in June 1990, shortly after the removal of the Berlin Wall. The 15 originating members of this Council consisted of 9 European and 6 American corporations/firms. In 2011, there are 72 members, including members from Canada. The Council’s website states: “In 2010 the EABC decided to explore the potential of a Trans-Atlantic business model that included active policy work with Canadian government and industry.” On July 7, 2011, the EABC’s 7th Annual Ambassador’s Dinner was hosted by Poland’s Embassy in Washington, D.C., with guests: Ambassadors of 22 European countries, business leaders, members of U.S. Congress and EU administrations. The event’s theme of *Trans-Atlantic Energy Strategies* was accompanied by four presenters, while celebrating Poland’s rise to the EU Presidency a week earlier.

especially when one considers the current membership of the USTBC: **Chevron, ConocoPhillips, Marathon Oil, ExxonMobil**, Boeing, Kellogg Brown Root, Parker Drilling, John Deere, Case New Holland, etc. The same four petroleum companies are also Energy Forum members of the Baker Institute for Public Affairs at Rice University (see chapter 4-1, *Into the Rabbit Hole...*).

One may easily make an obvious assumption: it's quite likely that the big petroleum multinationals on the USTBC who have substantial fracking interests in Europe (and elsewhere) are responsible for, or cooperatively involved in, setting up the



USPBC as a new modus-operandi to front their, and other, objectives (i.e., nuclear energy). One can possibly ask an important question based on the foregoing assumption: were these corporations somehow involved in setting up the U.S. State Department's Global Shale Gas Initiative, and in setting up Mr. Goldwyn's appointment?

It's almost like a scene from an old movie thriller, where an executive behind a large desk with only a telephone and a rather large rolodex, sitting in a comfy leather chair with his shoes up on the table, gets a phone call, hangs up the phone, flips to the appropriate card on his rolodex, gives someone a call, sets up the sophisticated operation for the moment of choice, and hangs up his phone. The power elite executive then casually rotates his chair toward the large glass window in his penthouse office, ponders a bit as he looks down upon the world before him, and produces a slight evil grin.

Who is Eric Stewart? There are a few and similar biographies of Stewart. After a one-year term as an assistant director of the Ohio Bureau of Workers Compensation, Stewart did a three year term as political director of the **National Federation of Independent Business**. After that, two years as the director of external relations with **SBC/Ameritech** (telecommunications). About year into the Bush/Cheney Republican administration, Stewart served almost 5 years with the U.S. Department of Commerce. For the first 18 or so months with the government, he was the chief of staff to the



assistant secretary William H. Lash for **Market Access and Compliance**. In September 2003, he was appointed as **deputy assistant secretary for Europe/Eurasia**. In his Williams & Jensen biography, "he was tapped as a surrogate for the Bush Administration on issues ranging from social security to energy policy. Mr. Stewart also served as acting assistant secretary and was given top secret security clearance." He "also was responsible for developing programs, policies and strategies designed to strengthen

the United States' commercial position in Europe." From mid-2006 to the present, Stewart sits as the senior international advisor to the **U.S. Chamber of Commerce**. While serving with the Chamber of Commerce, Stewart branched out into three other nests: in January 2008 as a partner

with **Williams & Jensen, PLLC**, one of many legal lobbying firms in Washington D.C., where he “represents clients before the Administration, Congress and select foreign governments on a range of international and domestic policy issues;” in July 2009, the executive director of the **U.S.-Turkmenistan Business Council**; and in June 2010, the president of the **U.S.-Poland Business Council**. Internet information service LinkedIn states: “Mr. Stewart provides strategic counsel and representation to private companies, associations, Universities and foundations with interests before the Administration, Congress and select foreign governments on a range of international and domestic policy issues.”

Stewart acts as bridge between various political landscapes. With Williams & Jensen, SourceWatch states it is a “law firm that engages primarily in lobbying for big business”. The firm’s facebook site boasts the following:

Williams & Jensen is currently one of the few leading independent law firms in Washington with a practice focused primarily on lobbying. On a daily basis, we help companies and organizations in the U.S. and around the world influence legislation and public policy process in Washington. The firm’s record of winning in Washington has attracted a clientele of leading companies, trade associations, and institutions, many relying on the firm’s services for more than three decades.

Many reporters and parties interested in keeping tabs on funding from U.S. lobbyists have documented the paper trail and client list from Williams & Jensen.²

In a television interview with Eric Stewart on Global Atlanta³ on November 19, 2010, during a seminar hosted by the Polish-American Chamber of Commerce of the Southeast, Stewart said that the USPBC “started earlier this year with **20 multinational companies** all based in the U.S.:

It was the most opportune time to create a Council. There are so many positive things happening in Poland right now. ... You also have the presidency of the European Union, the Poles will be leading Europe next year which is a very positive thing.

*But what you also find, and what American companies find in Poland is very similar counterparts. And what I mean by that is, you find businesses who have the entrepreneurial spirit that American companies do as well. Tremendous work force. Highly educated. And, as some colleagues have said in the past, **a lot of companies are using this as a gateway to Europe**. Which is an interesting dynamic when you think about it, actually leaving America, flying all the way over Europe, **landing in Poland and then going back in this direction**. That says to you how significant it must be to be able to do business in Poland that companies would think in that direction, which is pretty amazing.*

We are also seeing some pretty significant opportunities. Shale gas is one of the specific opportunities. The U.S. has a tremendous amount of experience in the shale gas industry. And Poland has recently discovered that they have huge resources of shale gas.

² The internet site ImpluCorporation provides many details of client and income categories.

³ Atlanta, Georgia’s International Business News Source, at the J. Mack Robinson College of Business, Georgia State University, *Poland Ready to Welcome U.S. Companies*.

Photo: Eric Stewart (on the right) during the interview, twice sweeping his left arm while curving his hand backwards in a scooping motion, saying “then going back in this direction.”



Stewart relays the USPBC’s strategy: Poland as the EU portal. The establishment of the USPBC as a political, investments and financial conduit and chain reactor would define and steer the paths of the petroleum presence in Poland, and, moreover, help formulate creative opportunities through support avenues. USPBC members ExxonMobil, ConocoPhillips, Marathon Oil and Chevron would finance and organize strategies to develop an unconventional foothold in Poland. For example, as Eric Stewart forecast in his interview in November 2010, the USPBC already had its gun-sight pointed on an important future event - Poland’s turn at the helm of EU’s presidency in the second half of 2011.⁴

11-(2). The Shadow World of Geo-Political Messaging: Public Relation Firms in Poland

There was a confidential document written in January 2010 by Marek Matraszek, *The Polish Presidency of the EU*, written 18 months before Poland’s kick-at-the-can at the EU presidency.

Matraszek’s briefing analysis undoubtedly energized and stirred the initiating political interest by American corporations in Poland’s accession to the EU Presidency, the ultimate source of Eric Stewart’s musing with the Atlanta interview.⁵

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THE POLISH PRESIDENCY OF THE EU

By Marek Matraszek

Christmas in the EU comes not once a year, but approximately once every thirteen years, when each of the member states has the opportunity to take charge of the Presidency of the Council of the European Union, which is rotated between EU member states every six months. For Poland, this magic time will come in the second half of 2011, following the Hungarian presidency and preceding that of Denmark. What in practice does this mean for Poland, and more importantly for Amcham members, and for US and other investors both in Poland and Europe?

So, the Polish Presidency provides for foreign investors in Poland a unique opportunity to finally get their messages across to the government on issues where Poland in turn can exert a real influence in Europe. It will also be a crucial opportunity to obtain information and intelligence on the directions of EU policy. So how can business and Amcham members engage? The Foreign Ministry is already talking with some business circles, particularly Lewiatan, on co-operation during Presidency. There is also pressure on the Polish Government to set up a steering committee to manage contacts between the Government and

⁴ The American Chamber of Commerce mentioned Poland’s turn at the EU Presidency in its May 14, 2010 bulletin (Policy Watch No.2/2010). In its November 12, 2010 bulletin (Policy Watch No.5/2010), is a descriptive on the Chamber advocating Public-Private Partnerships in Poland.

⁵ The document does not state who it was written for.

business during the presidency. In purely commercial terms, the Foreign Ministry has proposed – on the basis of guidelines adopted by the government in July 2009 – that companies become official partners of the Polish Presidency, and there is a list of preferred sectors including IT/Telecoms, Food & Beverages, Air Transport, and Post & Courier Services. But ultimately there will be no substitute for Amcham members working with their European HQs to identify key areas of concern, and then planning out a strategy for effectively communicating these concerns to the Polish authorities.

With elections in Hungary in April 2010, there are already signs that the current Polish Government and the next Hungarian Government (certainly to be led by the FIDESZ party under Prime Minister Viktor Orban), will want to coordinate their policies on issues such as energy and the Eastern Partnership. So companies wanting to seriously influence policy should not stop at Poland: there needs to be an ongoing effort extending behind and ahead of the Polish Presidency.

Ultimately the ability of the Polish Presidency to be a useful platform on which companies can build their public affairs strategies will depend on the degree of stability in Poland during the Presidency. Although there is merit in the Civic Platform government deciding to go the end of its full term before elections in November 2011, the fact that the Polish Presidency will be overshadowed by a domestic election campaign in September and October will mean that the top politicians will have little time to focus on policy details. On the other hand, that may be no bad thing – leaving EU policy to the experts in both government and business might make the Polish Presidency more effective than most.



Matraszek's analysis is most intriguing, if not also worrisome and disturbing.

As with Eric Stewart, the question is, who is Marek Matraszek? The most common of his biographies states the following:



Marek Matraszek is the Founding Partner of CEC Government Relations, a leading independent political consultancy active throughout Central Europe.

Marek Matraszek was born in the UK in 1962. He gained an Exhibition to Magdalen College, Oxford, in 1981 where he graduated in Philosophy, Politics and Economics in 1984, and obtained a Masters degree in Russian and East European Studies in 1987. He then continued his studies at Oxford, reading for a doctoral dissertation.

In 1990, he created CEC Government Relations, providing political intelligence, analysis and lobbying services for Western multinationals in Central Europe. CEC also has expertise in media management, local government lobbying, third-party mobilisation, as well as advising on European Union advocacy issues. CEC clients represent a wide range of global

companies, including **Lockheed Martin, Korean Aerospace Industries, UPS, Ford, Google, Philip Morris, Westinghouse, Nokia Systems, BP, and many others.**

*During the 1990s Marek Matraszek represented the **Margaret Thatcher Foundation** in the region and worked closely with the **British Conservative Party** and **US Republican Party** in Central Europe. Currently he is **Chairman of Conservatives Abroad in Poland**. He has also written widely on Polish and international affairs for publications such as **Poland Monthly, Warsaw Business Journal, The Spectator** and **Wall Street Journal Europe**. He is an occasional commentator on Polish politics for **Polish Radio**, the **BBC, CNN, CNBC** and **Al-Jazeera**, and writes a blog in Central European political, defence and energy issues at www.fromthefront.net.*



Mr. Matraszek and Eric Stewart have probably crossed paths and seem to have something else in common. It was announced on September 3, 2008, that CEC Government Relations (CECGR) became the 90th member of the **U.S.-Ukraine Business Council (USUBC)**, an organization established in 1995, an older relative of the later established U.S. Poland Business Council. When CECGR enlisted, it became the 39th new member of the USUBC to have enlisted in 2008, among which included Halliburton and a few law firms. Long-serving members include Chevron, ExxonMobil, Shell Oil, Monsanto, and the **EU-Ukraine Business Council**. On the USUBC website:

The CEC Government Relations firm is headquartered in Warsaw, Poland, with representation in the United States. CEC also has wholly-owned offices or partnerships in Vilnius, Prague, Bratislava, Budapest, Bucharest and Sofia. Marek Matraszek is the founding partner and managing director.

USUBC has been working with managing director Marek Matraszek for several months on a variety of business matters related to Ukraine and the U.S. Marek undertakes work in the Ukraine together with his New York and Kiev-based partner Adrian Karatnycky. Matraszek will represent CEC Government Relations on the USUBC board of directors.

CEC Government Relations is the leading independent public affairs agency in the EU's new Central European member states, offering a full range of professional public affairs and strategic communications services.

CEC does work for UPS, Lockheed Martin, Ford, GTech, Google and other U.S. companies in Poland and in central/eastern Europe, and has a special expertise in the defense and energy sectors.

CEC is an independent company but has a teaming agreement and affiliate office arrangement with two US-based lobbying firms, Burson-Marsteller and Interel.

CEC Government Relations was established in Central Europe in 1993 by Marek Matraszek as the first independent Western-style lobbying company in Central Europe. By combining his British roots and experience with local staff and resources, Marek has expanded the firm across the region and continue to grow into new markets.

CEC has remained fiercely independent over the years, but has also invested time in developing a network of relationships with partner public affairs and public relations companies in Europe, the UK and the United States.

More information about CEC can be found at: www.cecgr.com.

“The U.S.-Ukraine Business Council (USUBC) is most pleased to have CEC Government Relations join the rapidly expanding USUBC membership.” said Morgan Williams, SigmaBleyzer, who serves as President of USUBC.

On April 22, 2008, just over four months before CECGR joined up with the USUBC, the international public relations company Burson-Marsteller issued a news bulletin that it had partnered up with CECGR:

Burson-Marsteller Enters Exclusive Partnership with Solski PR in Poland



Burson•Marsteller

Warsaw, April 22, 2008 – Burson-Marsteller, a leading global public relations and public affairs company, today announced an exclusive affiliate partnership with Solski PR and the creation of Solski Burson-Marsteller. This marks the return of the Burson-Marsteller brand to Poland after seven years.

“Re-entering Poland is an important strategic move for Burson-Marsteller. The partnership with Ryszard Solski is intended to be a long-term relationship and Solski Burson-Marsteller will be our exclusive representative for public relations activities in Poland,” commented Jeremy Galbraith, CEO Burson-Marsteller Europe, Middle East & Africa. “We are committed to growing in the strategic markets of Central and Eastern Europe and obviously Poland is a key market in this region.”

“We carried out an extensive review of the Polish market and met a number of potential partners. During this process Ryszard Solski indicated to us that he was going to establish his own agency and this presented us with a unique opportunity to help shape and support a new PR agency in Poland and importantly gave us the ability to gradually acquire the company over a period of years. In the agreement we finalised and signed yesterday we have an option to take a 30% stake in Solski Burson-Marsteller after 12 months,” Jeremy Galbraith continued.

“I carried out the review of potential partners in Poland and the market has clearly matured quickly and significantly,” said Roman Geiser, Managing Director Affiliate Relations and Acquisitions EMEA of Burson-Marsteller. “We met many very professional agencies but it turned out that the timing was right for both Burson-Marsteller and Solski PR. Ryszard Solski is one of Poland’s most respected PR professionals, with great international experience, who has done very impressive client work in the past.”

“I am very pleased to be able to announce the partnership between Solski PR and Burson-Marsteller,” said Ryszard Solski, founder and owner of Solski PR. “I was disappointed when Burson-Marsteller left Poland, but am even more delighted that I will be responsible for their brand in the market now they have taken the decision to come back. We will be able to offer our clients the best in strategic, integrated communications counsel and effective implementation, based on Burson-Marsteller’s knowledge, ideas, insights, research and innovation, and my communications experience in Poland.”

Burson-Marsteller will continue to work with CEC Government Relations for Public Affairs support in Poland. Solski Burson-Marsteller and CEC Government Relations will work closely together.

In October 2007 Burson-Marsteller announced an exclusive affiliate partnership with Austrian Hocegger group, covering nine Central and East European countries. They include Austria, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Macedonia, Montenegro, Romania, Serbia and Slovenia.

What were the cross-over crisis-management objectives by Burson-Marsteller’s and CECGR’s clients in Europe? Who were/are their clients? What did they do? How did they accomplish them? How successful were they? Are they still continuing? How long have they been doing so? Have their objectives been redefined? How many other public relations companies are involved?

Canadian author Joyce Nelson in her 1989 book, *Sultans of Sleaze - Public Relations and the Media*, uncovered the early trail of controversial incidents that Burson-Marsteller (B-M) was contractually involved in internationally, including messaging the Bhopal disaster in India. In British Columbia, top executives with the timber industry under the Council of Forest Industries hired B-M to help dispense with the wide-spread public opposition dilemma of clear-cut logging of the Province’s old growth forests by inventing the **B.C. Forest Alliance** front, where private consultant Patrick Moore (a “co-founder” of Greenpeace, and pro-nuclear and pro-fish farming advocate) became a paid director of. According to testimonies from former reporters with the Vancouver Sun newspaper, B-M advised the major provincial newspaper to tone down its quality of reporting to the public.

According to AmCham, the American Chamber of Commerce in Poland, both Matraszek and Robert Konski (with Kulczyk Holding) have been in charge of something called *Political Discussion Forum*, a program which seems to have been in effect since early 2004:

Mission:

The Political Discussion Forum has been established to build relationships with key players in the world of Polish politics, in small group settings with a relaxed atmosphere that enhances frank and open conversation between AmCham members and our guests. At such meetings we intend to share our views on the wide range of issues effecting business in Poland today and tomorrow and to gain a deeper understanding of what and how today’s and tomorrow’s politicians think. We intend the Political



Discussion Forum to be our vehicle into the fascinating world of Polish politics - behind official curtains.

Following these program meetings, Matraszek and Konski then post discussion pages on AmCham Poland's website, information with a certain framed perspective on politics. For instance:

Kluzik-Rostkowska said that the political circles that her party represents are pro-economy and, indeed, "liberal," although they may differ in other aspects of their world view. She said however that the "L" word has become verboten today because it is strongly associated with the political constellation around Civic Platform and what she calls its no-holds-barred attitudes.

While supporting business development, Kluzik-Rostkowska warned that Poland has a long history of the wrong kind of business involvement in politics. She said that in the early 1990s there were people in politics who were there only to enhance business opportunities for the companies they were affiliated with. Although such links between business and politics will always exist, Kluzik-Rostkowska said that the syndrome was especially unhealthy in the early years of Poland's new independence. The legacy is still felt, and it makes politicians in all parties shun any perception of ties to business.

Meanwhile, businesspeople should be applauded in Poland, Kluzik-Rostkowska said, because it is small and medium-sized companies that crank out the bulk of Poland's GDP growth. No government, she said—including the present one—has really tried to engage business in the right way.⁶

11-(3). The Wroclaw Global Forum



*It's a terrific place to talk about democracy, and obviously Poland is a great place to celebrate democracy. (Opening comments by panel moderator Matthew Kaminski, Wall Street Journal correspondent and editorial board member, of the June 10, 2011 conference panel, *The Transatlantic Partners: Growing Democracy around the World.*)*

At the second annual Wroclaw Global Forum conference by the Atlantic Council held on June 9-11, 2011 in Wroclaw, Poland, many speakers focused on Poland's new opportunities as soon-to-be EU Presidency. The think tank Atlantic Council's website about the forum, co-organized with the City of Wroclaw, states that "the Forum brought together over 200 top decision-makers and business leaders to discuss Central Europe's role as a critical partner in U.S. efforts to strengthen economic, political and security ties across the Atlantic."

On June 10th, John Kornblum, the former U.S. Assistant Secretary of State for European Affairs (now senior counselor at Noerr LLP) commented on the recent political evolution of central and eastern Europe and encouraged his Polish audience to transform Europe with a new set of values under the banner of market-based freedom and democracy, what U.S. Ambassador Lee Feinstein referred to at the conference as the "democracy dialogue." "It's wonderful that NATO and the European Union stretch all the way up into the Baltic States and down into the Black Sea region. And, it's wonderful in the way that Poland has become *the anchor* of all this."

⁶ March 31, 2011, meeting with Joanna Kluzik-Rostkowska, Leader of a new parliamentary group, Poland Comes First.

Regarding this political transition period Kornblum said:

*Right now, we are at the end of that era, and we are coming into a new era. And, it's going to be an era where most of the old structures and the old ideas that **we** (America's corporate elite) had about the way the world runs are going to change... an integrated world, based on high-speed communications, which most of us cannot even see but changes the way our countries operate.... I think the real model that central and eastern Europe can be right now is into this new era which in fact defines freedom and economic opportunities as the values which should be spread.... the basic values.*

Kornblum then finished his train of thought:

*It's a wonderful, if you will, coincidence of history that Poland is now taking over the chair of the Presidency of the European Union for the first time. I think that you can play a very important role **in reminding** not just the European Union, but, if I may say so, **the United States**, that foreign policy has to be much more than crisis management ... This part of the world can have a very important model role now in reminding everybody that foreign policy is not just about fighting crises, but also about building **a new structure of values** in the world.... **You** (Poland) **can be piranhas in Europe**, you can shake everybody up ... You can have a very big effect there. One last point I would like to make. You also have a very different kind of relationship with the United States, you have a much-more open, freedom-oriented ... Poland has an open and un-complicated relationship.*

On the Atlantic Council's panel forum on the morning of June 11, 2011, *New Energy Sources and the Global Power Equation*, Norwegian energy advisor panel member Trygve Refvem had some advice for the EU in the development of shale gas throughout its member states:

*Some of this shale gas needs to be found, proven and developed in Europe. It is a very promising future scenario. What I would certainly like to see is the effect of large shale gas development in Europe bringing gas back to a commercial thing. It has been a politicized and partially security issue for at least the past 10 years. I think what is needed is for Europe to come up with a **gas solidarity policy** and the means of actually putting gas solidarity into practice.*

We would have see what the member states of the EU decides in the Energy Roadmap to 2050 which is due to be published later this year.



In the photo above in center, is Trygve Refvem, along with other **Gassco** Board Directors. Refvem was with **Norsk Hydro ASA** from 1974-2000. (Source: Gassco's 2005 report, Norwegian Gas to Europe.) Refvem is an independent energy consultant and advisor. He is with the **Norwegian Atlantic Committee** as its Senior energy advisor. He was a former director of the think tank **Europa-Programmet**. He is a member of **International Petroleum Associates of Norway** (IPAN). He was also with Siemens, Norway. In March 16, 2011, Refvem was appointed as the senior advisor of a new team, the European Infrastructure Investments team, with **First State Investments**, which is registered in Scotland (a subsidiary of the Commonwealth Bank of Australia). In the early months of 2009, Norwegian newspapers were investigating allegations of bribery and corruption charges related to the Stavanger-based company **Biofuel AS**'s operation in Ghana, Africa, about Refvem's possible involvement.

The tempo of the shale gas revolution in the United States, and if you could really hope for something similar in Poland, clearly that would change, radically, the landscape and pave the wave for a more balanced relationship to Russia.

Refvem later said with regard to shale developments in the United States and now in Poland:



This hydro-fracking technique was really pioneered by a number of outsiders, by small oil and gas companies in the United States. The big oil companies did not really believe in this. So I think during these formative years, which is really the last ten years, a number of mistakes were made. Now the majors are moving in. They are buying up a lot of acreage and they are buying the small companies. I am fairly certain that they are quite intent on moving towards 'best practises' system which would solve the environmental questions that are being discussed, and have been discussed for a very long time

in the United States. That would be helpful in the case of Poland and European shale gas. And, as far as I know, it is mainly large American-based oil companies like Chevron, Exxon and ConocoPhillips who are at present engaged in development of shale gas in Poland. So, I think that will be very helpful in reducing the real environmental problems of shale gas.

During the question and answer period that followed the panel discussion in which Refvem participated, **CEC Government Relations** founder and chief Marek Matraszek, a key strategic public relations figure in central and eastern Europe, was the first person to rise and address the panel members with the following statement and questions about shale gas. In his polished Oxford-British accent he said the following:



I'd like to focus on the theme of shale. I would agree with some of the sentiments of the panel, that shale is potentially a huge game changer in Europe, both politically and commercially. But, what we are seeing is at the same time this opportunity is before us, there is a growing coalition of interests across Europe which are trying to slow the process of development of shale down.

There are three pillars of this resistance.

- *One is political. We have seen this in France, especially with the recent vote in the French Parliament.*
- *There is the NGO lobby which is the Greens. Essentially we are seeing them much more active publically, criticizing shale from an environmental perspective.*
- *There is also the commercial resistance which is coming from Gasprom in Russia which obviously sees shale as a potential challenge to its whole business model of gas exports into Europe.*



So, there is a coalition of interests developing that is potentially going to stunt the development of the shale industry in Europe, especially in Poland at the European level. The question to the panel is, what should governments, commercial operations be doing to work more closely together to counter this threat? Is it possible, in fact, to coordinate both government and industry in that area?

11-(4). EU Presidency Countdown - U.S. Poland Relations

There were numerous American and Polish coordinated events to do with energy security relations and shale gas promotions - agreements, conferences and tours - which occurred over a period of about 12 months that would shape Poland's image and profile as the EU's emerging (new American value-based) pro-fracking state, and as it approached its six month responsibility for EU presidency. In support of integrating this image-making, a network of other mechanisms and events also occurred within this period. The majority of these shaping events occurred following the Global Shale Gas Initiative conference in Washington D.C. in late August, 2010.

11-(4a). June 22-23, 2010

Poland's Deputy Minister of Economy, Marcin Korolec, and representatives from Poland's Department of Nuclear Energy, the office of Chief Geologist, the Department of Oil and Gas, members from Poland's energy entities, Polish companies PGE, Tauron, Orlen and LOTOS showed up for a June 22-23, 2010 event, *U.S.-Poland Energy Cooperation Roundtable* in Washington D.C., which was hosted by the U.S. Energy Association and held at the Ronald Reagan Building centre. **ConocoPhillips** and **GE Energy** pitched gasification technologies, Polish government agencies discussed clean coal technologies, **GE-Hitachi** and **Burns and Roe** unveiled plans for nuclear power (the Next Generation Nuclear Plant technology), and **GTI** discussed coalbed methane and shale gas exploration and production technology developments.

11-(4b). July 19-20, 2010

On July 19-20, 2010, was the **Global Shale Gas Summit** conference in Warsaw, with its theme *Expanding Global Shale Gas Development*.

Representatives from petroleum firms, corporations, and institutions included: **Lewis Energy Group** (San Antonio, Texas), **Institute Francais Du Petrole**, **Southwestern Energy**

Corporation (Texas), **San Leon Energy PLC**, **GMX Resources**, **Interstate Oil and Compact Commission** (Mike Smith from the IOGCC is the third from the right in the photo above), **ENI** (Italy), **Shell**, **Geological Survey of the Netherlands**, **Talisman Energy**, **OMV Exploration & Production** (Vienna), **TPAO** (Turkish Petroleum Corporation), **Schlumberger**, **ADROK** (Scotland), **BJ Services**, **Eurogas Inc.**, **Pennsylvania State University**, the Polish Geological Institute, and Poland's Ministry of Economy.



11-(4c). September 17, 2010

The American Chamber of Commerce in Poland, the City of Katowice, and the Metropolitan Association of Upper Silesia hosted a conference on September 17, 2010, *Silesia Metropolis - Investments and Energy*. According to the short descriptive, the upper Silesian's were seeking business opportunities with a trade mission from Colorado, USA. The afternoon's session was devoted to "energy potential". Chuck Ashley, the Deputy Economic Counsellor with the U.S. Embassy spoke on the *U.S. Experience and Foreign Policy on Shale Gas*. Poland's Undersecretary of State, Ministry of Economy, Joanna Lobodzinska also spoke. The president of Tauron, Dariusz Lubera, and a representative from PGNiG, Poland's oil and gas company, also spoke.



11-(4d). October 18, 2010

Poland's Ministry of Foreign Affairs' press spokesman Marcin Bosacki posted a short account on the Ministry's website of an event which occurred on October 18, 2010, *Foreign Minister Radoslaw Sikorski meets representatives of US-Poland Business Council*. Bosaki wrote:



Photo (left to right): Eric Stewart, Radoslaw Sikorski, and US Ambassador Lee Feinstein.

The agenda featured talks on the possibilities and prospects of boosting Polish-US economic ties with emphasis on energy cooperation.

The US-Poland Business Council, founded in June 2010, aims to deepen the strong bilateral economic and commercial relationship between the United States and Poland. The Council consists of 17 leading American companies whose representatives are in Warsaw 18-19 October for their inaugural visit to Poland.

Bosaki, however, failed to identify the "17 leading American companies" in his account to the public.

The U.S. Poland Business Council did provide information about its membership in a press release, *US-Poland Business Council Leads Inaugural Policy and Business Mission to Poland*:

WASHINGTON, DC - The US-Poland Business Council announced today their plan to lead a foundational Business Mission to Poland from October 18th-19th, 2010 in the capital city of Warsaw. The mission will mark the official launch of the US-Poland Business Council with the intent to further develop the bilateral economic and commercial relationship between the United States and Poland. The Business Council was founded in the summer of



A very polished affair during the press conference debut of the US-Poland Business Council.

2010 by 17 US multinational companies including: The AES Corporation, The Boeing Company, Chevron, ConocoPhillips, Eli Lilly, ExxonMobil, Fluor Corporation, International Paper, Marathon Oil, Owens-Illinois, Inc., PHRMA, Raytheon Company, The Shaw Group Inc., Smithfield Foods, Inc., The Timken Company, US Steel and Westinghouse Electric Co.

The mission will focus on the growing opportunities and potential offered by conducting business in Poland and emphasize areas of mutual benefit and interest. Meetings during the two day mission will include discussions of bilateral market access restrictions and European Commission regulations and policies. The purpose of the meetings is to cultivate strategic alliances with key interlocutors in the Government of Poland, the US Embassy, as well as the private sector business associations based in Warsaw. The business delegation will be received and hosted by Poland's Deputy Prime Minister, Waldemar Pawlak, and Foreign Minister, Radoslaw Sikorski.

"Poland was the only country in the European Union to experience positive economic growth in the past year and is well positioned to take the helm of the Presidency of the European Council beginning in July 2011," said Eric Stewart, President of the US-Poland Business Council. "This trip provides a unique opportunity to learn directly from the Polish leadership their plans for guiding Europe through these tough economic times," added Stewart. "This mission will establish that the commercial relationship between the US and Poland is important for the mutual economic success of both countries."

Transatlantic Energy Strategies and Resource Nationalism

Event Summary

On October 22, 2010, with the support of the European Union Delegation in Washington and the cooperation of the Embassy of the Czech Republic and Portugal's Fundação Luso-Americana, the Center on the United States and Europe and the Energy Security Initiative at the Brookings Institution together with the Berlin-based Global Public Policy Institute (GPPi) convened an off-the-record workshop to discuss the challenges facing European energy security and to make recommendations for improving U.S.-European Union (EU) coordination on more effective energy governance mechanisms, with particular emphasis on gas markets. The workshop was the second part of a two day, high-level conference, "Transatlantic Energy Strategies and Resource Nationalism: The New European Energy Landscape," which began on October 21 with a [public panel discussion](#) at Brookings with Charles Ebinger of Brookings, David Goldwyn of the U.S. State Department, Pierre Noël from Cambridge University, and Piotr Szymanski from the European Commission Directorate General for Energy, and followed by a working dinner at the Embassy of the Czech Republic.

The workshop sessions brought together policymakers and top-level civil servants from both sides of the Atlantic, representatives of the private sector as well as journalists, academics and distinguished members of the DC area think tank community. The sessions explored how shale gas, liquefied natural gas (LNG), and other developments are reshaping transatlantic energy security; how Russian "pipeline politics" have affected the European energy landscape; how environmental considerations and climate change are factored into energy security; and if new frontiers for nuclear power and electricity are opening up in both the United States and Europe.

The first session, **"How Shale Gas, LNG and other Developments are Reshaping Transatlantic Energy Security,"** assessed the dramatic changes in world gas markets in recent years with the rapid development of gas spot markets and as gas has shifted from a purely regionally-traded to a more global commodity. Speakers noted how the U.S. unconventional gas output, including that of shale gas, has expanded four times in the past two decades and is now equal to more than half of the total U.S. gas output. Shale gas exploration in the United States, as well as in Canada, has had a knock-on effect for regional and global gas producers and consumers, including Russia. While not yet a worldwide energy game-changer, the U.S. "shale revolution" effectively closes the North American market for Russian LNG exports, and increases competition with other suppliers in the European market. Speakers also stressed that global LNG liquefaction capacity will increase by 50 percent over 2009-2013, with 2010 marking both a production ramp up and increasing demand in Asia for LNG (Japan, Korea, Taiwan, and also China), and increasing competition between Europe and Asia for LNG imports after 2010. Participants saw Russia as generally in denial about the implications of shale gas exploration in North America (-and potentially in Europe) - and the shifts in LNG demand.

Given the breakthroughs in shale gas exploration and development in the United States, the workshop session also focused on the prospects for shale gas extraction in Europe. Speakers pointed out that a range of geological analyses indicated there was potential for extraction across the entire European continent, but commercially-obtainable deposits were mainly concentrated in Poland, Austria, Sweden and Ukraine. Participants noted that environmental considerations, water and property rights, the lack of EU-level competencies in energy exploration and development, and the different positions of EU member states on energy issues would likely lead to long delays in moving forward with shale and other unconventional gas projects. Most participants saw no significant unconventional gas production in Europe before 2020. Speakers, however, suggested that even in their planning stages, proposed projects could have far-reaching implications for the European energy market. Countries like Poland could secure additional leverage in gas contract and other energy negotiations with Russia through the mere potential of significant shale gas development. Participants were less certain that Ukraine would secure the same leverage given the fact that Russian companies were most likely to become involved in and dominate similar projects in Ukraine.

Participants also considered the issue of the United States and Canada potentially becoming gas exporters, or choosing instead to remain self-sufficient in gas and to operate separately from the rest of the world—resulting in a market split across the Atlantic that would leave Europe to compete alone with India, China and other players in increasingly higher-price gas markets. To avoid this development, speakers and participants urged more transatlantic cooperation on developing European and global shale gas deposits. Some participants recommended that, given the risks, shale gas exploration should be led by governments, not just market forces and players.



11-(4e). December 8, 2010

On December 8, 2010, Polish President Bronislaw Komorowski and his accompanying diplomats met with U.S. President Barak Obama in a lengthy meeting at the White House.

According to the *Joint Statement* issued that day, both presidents “reaffirmed today their commitment to strengthening the U.S.-Polish alliance by expanding strategic and defence cooperation, supporting deeper economic links, and promoting democratic institutions in Europe and around the world.”

The presidents’ *Joint Statement* further stated:



In photo, Polish President Bronislaw Kmorowski is sitting to left of a contemplative President Obama.

*The two leaders discussed their efforts to deepen mutual dialogue on energy security, and to that end they welcomed **agreement in principle on a bilateral Memorandum of Understanding** to enhance cooperation on scientific, technical and policy aspects of clean and efficient energy technologies. They underlined their respective governments' readiness to cooperate in good faith and in a fair, open and transparent manner on a broad range of energy-related issues, including **civilian nuclear power, unconventional gas**, energy efficiency, renewable energy and other clean power resources in Poland. They welcomed **new and continuing efforts under the Global Shale Gas Initiative**.*

	COUNCIL OF THE EUROPEAN UNION		Lisbon, 19 November 2010 16724/10 PRESSE 314
EU-US Energy Council Press Statement			
<p>We agreed to exchange expertise on environmental issues related to the utilisation of unconventional gas resources, including shale gas, especially with a view to addressing the issue of public acceptability.</p>			


Excerpt from the EU-US Energy Council's November 19, 2010 press statement.

Excerpt from a 127-page academic report on shale gas, one of many written since early 2010 by academic and think tank institutions in Europe on the emerging topic of shale gas. As stated in this Oxford University publication, the Oxford Energy Institute for Energy Studies is being funded by Schlumberger, one the world's top three petroleum service corporations. The funding relationships between industry and academia, between industry and think tanks, is controversially problematic to say the least, a growing global phenomenon. The independent and free-thinking nature of academia is sometimes, or increasingly, shackled. As public land resources are threatened by myriad exploitations by industry, so are our institutions and governments. The message is not the medium, it's *the maximum*.



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Can Unconventional Gas be a Game Changer in European Gas Markets?

Florence Gény
December 2010


SBC Energy Institute and Oxford Institute Collaboration Acknowledgement

The SBC Energy Institute and the Oxford Energy Institute for Energy Studies have formed a knowledge partnership to collaborate on joint research studies to better understand key energy themes of the 21st century. As part of this collaboration the SBC Energy Institute has provided input for this paper, in particular on European unconventional gas technologies, operational

Disclaimer The SBC Energy Institute is a non-profit research institute incorporated in the Netherlands that is funded by Schlumberger Business Consulting (SBC). SBC is the management consulting arm of Schlumberger. The two entities do not share confidential client information, and implement strict information security measures in order to protect client data. The SBC Energy Institute and the Oxford Institute for Energy Studies collaboration bears no impact on day-to-day Schlumberger business, underpins the current judgment of the author at the date of the report, and does not necessarily reflect the opinions of SBC or Schlumberger. As part of the collaboration for this paper the SBC Energy Institute did not provide the Oxford Institute for Energy Studies with belowground resource estimates, aboveground economic analysis, breakeven prices, production modeling, or any other services provided to clients of Schlumberger Corporation.


11-(4f). February 28 - March 5, 2011 - Sikorski's Strategic Visit to Washington

The Warsaw Business Journal reported on February 28, 2011, *Sikorski arrives in the US*, that Polish Foreign Affairs Minister Radoslaw Sikorski was on a 6 day trip to the United States.



THE MINDA DE GUNZBURG CENTER FOR EUROPEAN STUDIES
-PRESENTS-
THE 2010-2011 AUGUST ZALESKI LECTURE IN MODERN POLISH HISTORY

"EUROPEAN SECURITY: DOES IT STILL MATTER TO THE USA?"



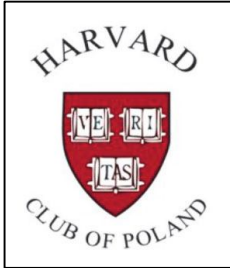
PUBLIC LECTURE AND Q&A WITH

RADOSŁAW SIKORSKI

MINISTER OF FOREIGN AFFAIRS
OF THE REPUBLIC OF POLAND

CHAIRIED BY GRZEGORZ EKIERT, PROFESSOR OF GOVERNMENT

MONDAY, FEBRUARY 28TH
4:15-6:00 PM



He had a pack-laden itinerary, which included meetings with **US Deputy Secretary of Energy Daniel B. Poneman** (March 2), with US Secretary of State **Hillary Clinton** (on March 3), giving a short lecture at **Harvard** (on February 28) organized by the Harvard Club of Poland, meetings with both the **US-Poland Business Council** (on March 2) and the **US Chamber of Commerce**, making a presentation at the **Center for American Progress** (on March 1) in Washington, a meeting at the **Atlantic Council** (on March 1) headquarters, and finally a trip to Georgia, Alabama to attend a conference held at the **American Enterprise Institute**.

Poland's Ministry of Foreign Affairs stated in its February 28, 2011 information report that the "President of the World Bank Robert Zoellick, Majority Leader of the United States House of Representatives Eric Cantor, independent Senator Joe Lieberman and New York Times commentator David Brooks" would also be attending the conference in Georgia. It also stated that:

While in Washington, Minister Sikorski is to hold talks with US Secretary of State Hillary Clinton and US Deputy Secretary of Energy Daniel B. Poneman. The agenda will see the signing of a US-Polish clean and effective energy cooperation agreement which will streamline collaboration in the field of new technologies and their implementation, especially when it comes to shale gas prospecting and nuclear energy—domains in which American corporations have been keen to invest in Poland.



At the March 1st event at the Center for American Progress, Minister Sikorski's presentation theme was called *Russia and the Security of Poland*. Mr. Sikorski is an intellectual and an experienced diplomat and statesman, trained academically in the United States. He doesn't need to read from a prepared script because he has considerable training and confidence in discussing complicated logistical issues on cue. During his presentation, he summed up his ambitions for Poland:

Poland is working hard on diversification. U.S. companies are exploring shale gas reserves on Polish territory, something we believe will make a difference. However, we are also looking at building nuclear energy plants and importing liquified natural gas. In three months, Poland will take over the Presidency of the European Union. As one of our priorities, we intend to make energy security a focal point. This means building up the current energy infrastructure, expanding on the diversification of energy resources, building physical inter-connectors between EU member States, and strengthening European energy solidarity during crisis situations. The United States and its business community are a welcome partner, and we encourage you to join in on this endeavour.



Sikorski meets with Department of Energy staff.

On March 2nd, US State Special Envoy for Eurasian Energy Ambassador Richard Morningstar and Poland's US Ambassador Robert Kupiecki signed a non-binding Memorandum of Understanding (MOU) in the US State Department's Treaty Room. Witnesses to the occasion included US State and Energy Department staff and Polish Embassy staff.

Richard Morningstar (seated to left) and Robert Kupiecki signing the MOU.

At 8:50 am, March 3, 2011, US Secretary of State Hillary Clinton and Foreign Minister Radoslaw Sikorski held a bilateral meeting in the State Department's Treaty Room to announce their signing of the US-Poland MOU:



United States - Poland Memorandum of Understanding on Cooperation in Clean and Efficient Energy

Secretary of State Clinton and Foreign Minister Sikorski today signed a Memorandum of Understanding (MOU) on Cooperation in Clean and Efficient Energy.

This U.S.-Poland MOU will promote dialogue and facilitate increased cooperation on scientific, technical, and policy aspects of clean and efficient energy technologies, through the exchange of ideas, policies and information.

*The MOU calls upon the United States and Poland to develop and implement a work plan that encourages the exchange of information and planning for future cooperative research on policies that support and enhance clean energy and energy efficiency and research, including research on clean coal technologies, energy efficiency, renewable energy, **unconventional natural gas, civilian nuclear energy**, and environmental and waste management.*



The March 3rd, 2011 bilateral MOU announcement meeting (photo to right) with Clinton and Sikorski was a fulfillment of a preceding meeting held on April 29, 2010 (photo to left) on the renewing of the Poland-US *Strategic Dialogue* which included “economic and investment opportunities and energy security.” That meeting occurred 19 days after the tragic death of Poland’s president and 96 others. At the April 29th meeting Sikorski stated: *We have had a meeting at the political level of our people working on issues to do with energy, both nuclear energy and prospecting for gas and for other forms of energy. This could be a vital Polish-American project and I’d like to confirm, on behalf of the Polish Government, that we support American companies that are exploring in Poland.* Note the portrait of former President George W. Bush hanging in the background, a haunting reminder of his administration’s legacy - through former vice president Cheney - of opening the fracking floodgates.

U.S.-Poland cooperation under this MOU may take place in a variety of forms, including:

- *exchange of publicly available scientific and technical information;*
- *organization of seminars, workshops, and other meetings on agreed topics;*
- *exchange of scientists, engineers and other specialists, including those from industry and other non-government sectors;*
- *visits by specialist teams or experts to each other's facilities;*
- *conduct of joint analytic studies;*
- *identification of areas/projects suitable for the possible future conduct of joint research and development and pilot scale and demonstration projects; and*
- *engagement with similar institutions in other countries.*

11-(5). The fuel for the Investor's PR Gas: The EIA Global Report on Shale Gas

One of the primary goals of the U.S. State Department's Global Shale Gas Initiative (through the prompting of the unconventional petroleum industry) was to stimulate global excitement and interest in unconventional shale gas/oil, a direct financial benefit for U.S. companies with interests abroad. This was achieved by combining two global information programs on shale gas. One was through the ongoing assessment of international shale gas resources by the U.S. Energy Information Administration, and the other through a new U.S. government agency collective - coordinated under the Global Shale Gas Initiative - for more detailed shale gas resource assessments which included the services of the U.S. Geological Survey. The organizational initiative by U.S. government agencies, primarily through the U.S. Department of Energy, to collect the global information was a large, complicated, and systematic undertaking which was accomplished in a relatively short period of time.

Europe Gears Up for the Shale Gale

John Sheehan, JPT Contributing Editor

The European shale gas revolution is still in its infancy and though its commercial potential could rival that of North America, significant challenges lie ahead. France has put a moratorium on shale gas activity while a comprehensive study into its environmental impact is being carried out, and its National Assembly has voted in favor of a ban on hydraulic fracturing.

The potential for shale gas production in Europe is undoubted, as consultancy IHS CERA estimates that Europe's total shale gas in place could be 6,115 Tcf. Among the key challenges that will determine the ultimate productivity in Europe is a regulatory environment that is currently ill-suited to unconventional gas, the company said. "Regulations designed for traditional exploration and production

in Amsterdam. "We expect Europe to be a significant part of future activity."

Poland Leads the Way

Poland plays host to Europe's largest known reserves of shale gas. Leasing activity in the country's three main basins—the Baltic Basin, the Podlasie Basin in the east, and the Lublin Basin to the south—is well under way. The country is keen to push forward with shale gas production as it looks to break away from its reliance on Russian gas supplies.

The US Energy Information Administration (EIA) estimates that Poland has 792 Tcf of risked shale gas in place, with 514 Tcf in the Baltic Basin, 222 Tcf in the Lublin Basin, and the remainder in the Podlasie Basin. Chevron and ExxonMobil have been joined by a large number of smaller

The Polish state geological institute is currently conducting an assessment of shale gas resources in association with the US Geological Survey. The first estimate will be available for the northern region in spring 2011 and then for the entire country by the end of next year. The lack of a reliable resource estimate has not stopped the country from

awarding more than 70 concessions to over 40 operators in the Lublin, Mazowsze, Pomeranian and Lower Silesian regions.⁷

When the U.S. Energy Information Administration's (EIA's) report surfaced in April 2011, *World Shale Gas Resources: An Initial Assessment of 14 Regions Outside the United States*, it created a wave of global hysteria and investment frenzy, and would be used as a critical tool to entrench the

⁷ *Shale search goes global - Energy-hungry countries throughout the world are beginning embryonic efforts to replicate the success of US shale plays*, by Pramod Kulkarni. December 2010.

petroleum industry's concepts of "game changer" and "shale gas revolution." The report was pure gold for the public relations industry under contract by the petroleum sector.

The Polish prime minister reacted enthusiastically to a U.S. report that estimated Poland's shale gas deposits at more than three centuries' worth of the country's consumption. His comments are increasingly jarring on this matter, while his environment ministry and other officials have remained cautious.

"Poland is facing a great chance," Donald Tusk said at a press conference with Austrian Chancellor Werner Faymann, according to radio station TOK FM. "The deposits of shale gas have exceeded our most daring expectations. This may mean that the future of this part of the world isn't just in coal and nuclear energy, but maybe we'll find other solutions."

Mr. Tusk was commenting (on) a report by the Energy Information Administration of the U.S. Department of Energy, which said Poland has 5.3 trillion cubic meters of shale natural gas, equal to more than 300 years of the country's annual gas consumption.

Shale gas could represent an enormously positive "black swan" for Poland, a country that still often tends to see itself as unlucky due to its tragic history of occupation by its larger neighbors and their tendency in the past centuries to brutally suppress Polish uprisings. Meanwhile, the unconventional gas industry, while still in its infancy in Poland, could create thousands of jobs, as well as eventually, export revenue. If it turns out to be economically viable to extract, it would free Poland, and perhaps much of Europe, from natural gas supply dependence on Russia.

Still, even now, in the early stages, Poland's embryonic shale industry has created a "completely new set of common interests" between the United States, whose companies have developed this technology, and Poland, said Michael Sessums, economic counselor at the U.S. Embassy in Warsaw.

Polish geologists are starting to work with U.S. companies and institutes, while Polish universities have initiated cooperation with American universities.

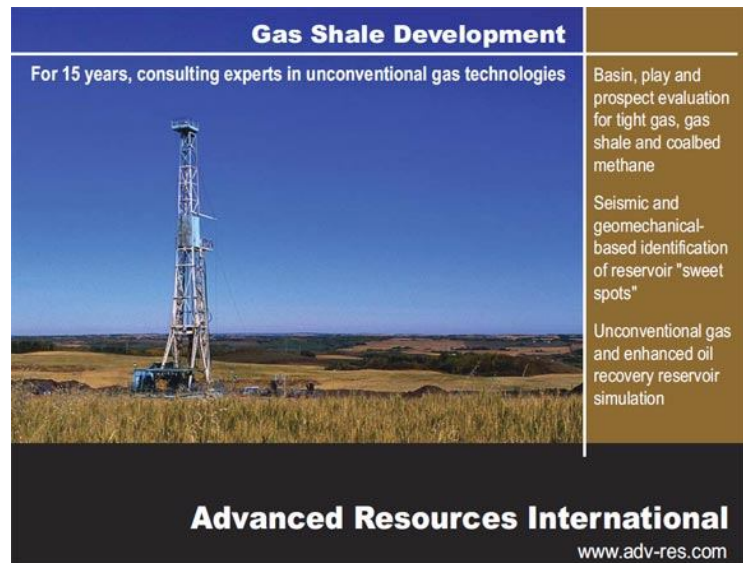
The U.S. seems keen on increasing the energy independence and security of Poland and the EU.

"Anytime you can give Russia's Gazprom a snub, it's probably a good thing," said Mr. Pursell of the energy-focused investment bank. Diversifying supplies of natural gas away from Russia—which has cut off gas supplies amid pipeline disputes in two of the past five winters—isn't just an issue for Poland, but for all of Europe, he added.

*The Polish Geological Institute, working with the U.S. Geological Survey, will publish its own initial estimate of Poland's shale gas reserves later this year.*⁸

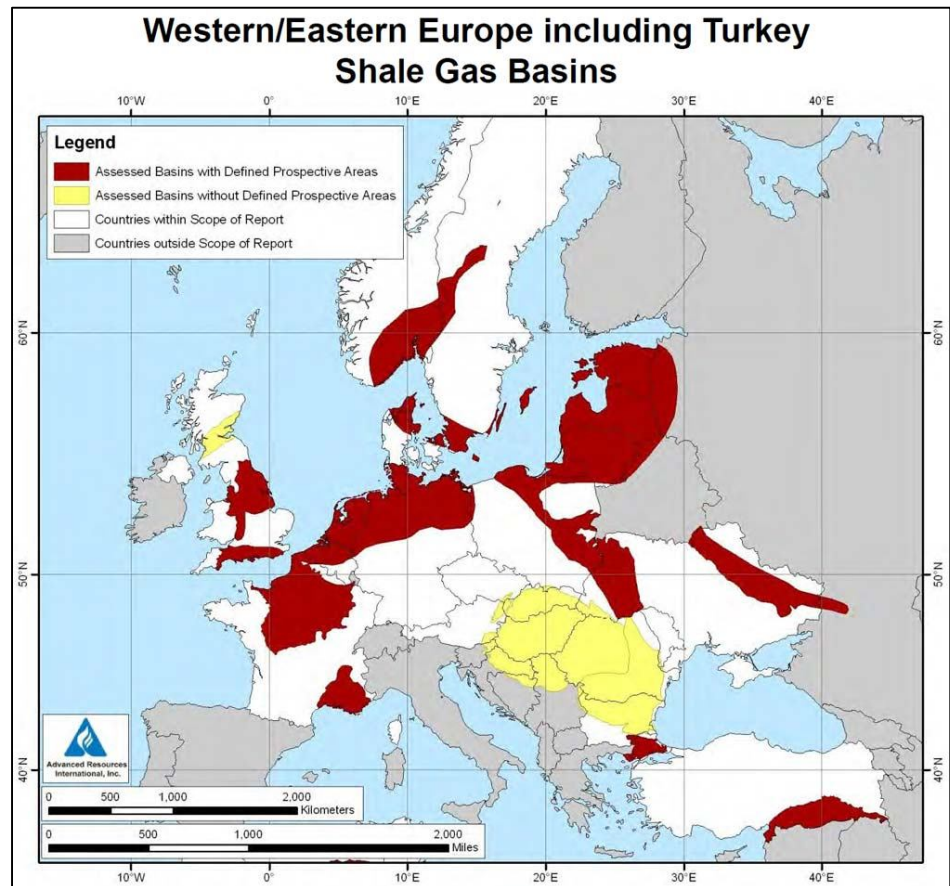
⁸ *Polish Government Sends Mixed Messages on Shale Gas*, by Marynia Kruk, *Emerging Europe* website, April 8, 2011.

A central player behind the strategic research marketing of unconventional shales in North America and globally is **Advanced Resources International Inc.**, a company with offices in Washington D.C. and Houston, Texas. (The image to the right is the company's advertisement from a January 2006 *Oil and Gas Journal* supplement) The representative individual most often cited or credited in this presentational marketing is company president Vello A. Kusskraa, accompanied by his company's logo, a blue triangle with a what appears to be white flames rising from the top of a gas flare stack.



In Kusskraa's May 15, 2011 presentation, *Economic and Market Impacts of Abundant International Shale Gas Resources*, prepared for and sponsored by the **Center for Strategic and International Studies' Energy and National Security Program**, he included the map you see here, identifying Europe's shale gas basins.

The red basin extending from northwest Ukraine runs northward through Poland and into southern Sweden and northern Denmark, and then arcs up into southern Norway, and crosses over into mid-Sweden. About one half of France's land mass has these basins. Small wonder public protests against shale gas have erupted throughout Europe.



The timing of the EIA's global report on shale gas would fuel the promotional flames of interest by the U.S.-Poland Business Council, the proper conditions for the May 18, 2011 meeting in Warsaw.

*There is a significant land-rush in Poland for shale gas exploration concessions, particularly in the Baltic and Lublin basins of northeastern Poland, where drilling and completions are already underway in the unconventional shales of the Ordovician and Silurian. Although more difficult to produce, these large basins are expected to yield good production **from thousands of wells**. (Remarks from *Recent Recognition of Oil & Gas Potential in Poland*, by Michal M. Zywiecki¹ and Michael P. Lewis. Search and Discovery Article #10356 (2011). Posted September 19, 2011. Adapted from oral presentation at AAPG Annual Convention and Exhibition, Houston, Texas, USA, April 10-13, 2011)*

11-(6). Experimenting in Poland - Pomerania (Qatar North?)

Three Legs Resources' subsidiary, **Lane Energy Poland**, which made a cooperative agreement with **ConocoPhillips** in August 2009 on concessions Lane received in 2007 from Poland's Ministry of Environment, developed this well (among three others, so far) in northern Pomerania, called Lebien LE-2H well. Polish drilling contractor Nafta Pila drilled to a depth of 4,080 metres into a "5 metre target zone" and horizontally drilled about 1,000 metres. Nafta also excavated and prepared the first "water pit" with a capacity of 6,000 cubic meters for both drilling fluids and water waste.⁹

After Nafta Pila finished its half of the operation, Schlumberger (you can seek the company's dark blue rigs in the photo) conducted the 13-stage fracking operation at this site from August 10-28, 2011.¹⁰ Another larger water pit was excavated for all the water required for the fracking ops.

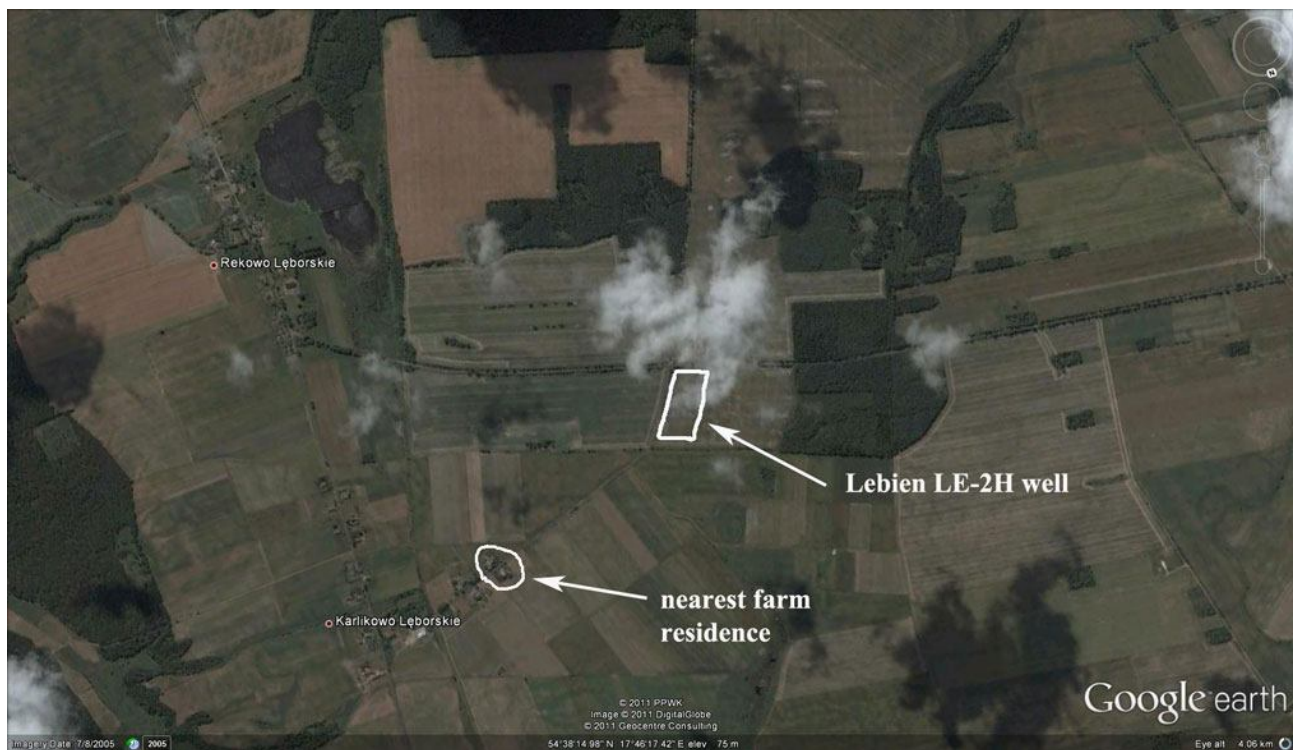


It appears the strategy for Lane Energy's LE-2H well location was its placement at a more isolated distance from Polish residences. The top photo shows the lush green crops and only one water pit. The photo to the right was no doubt taken in the Fall and shows two water pits. LE-2H became a 'model' or poster-child image widely used in conference presentations, in media articles, and in promotional materials.

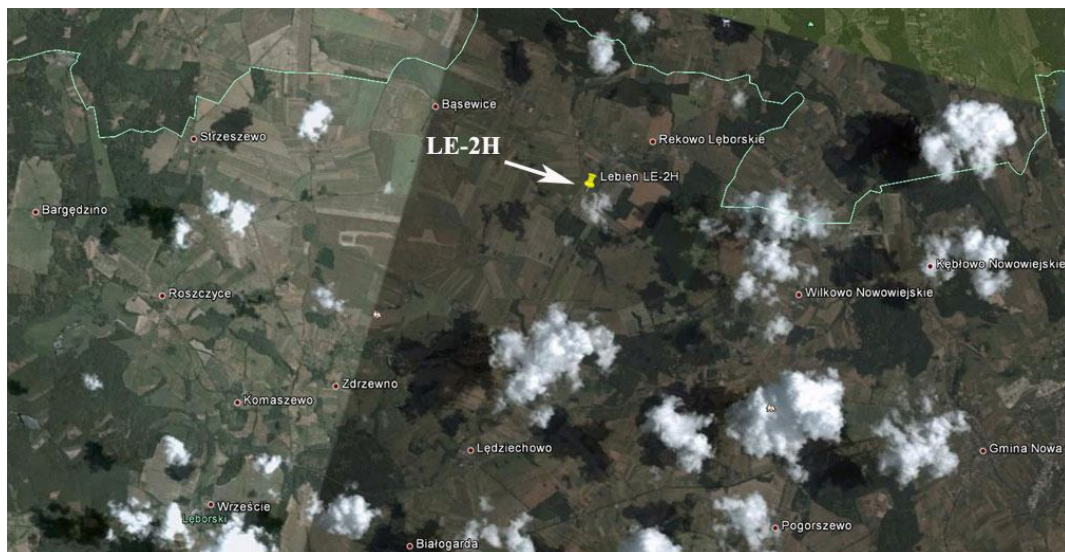


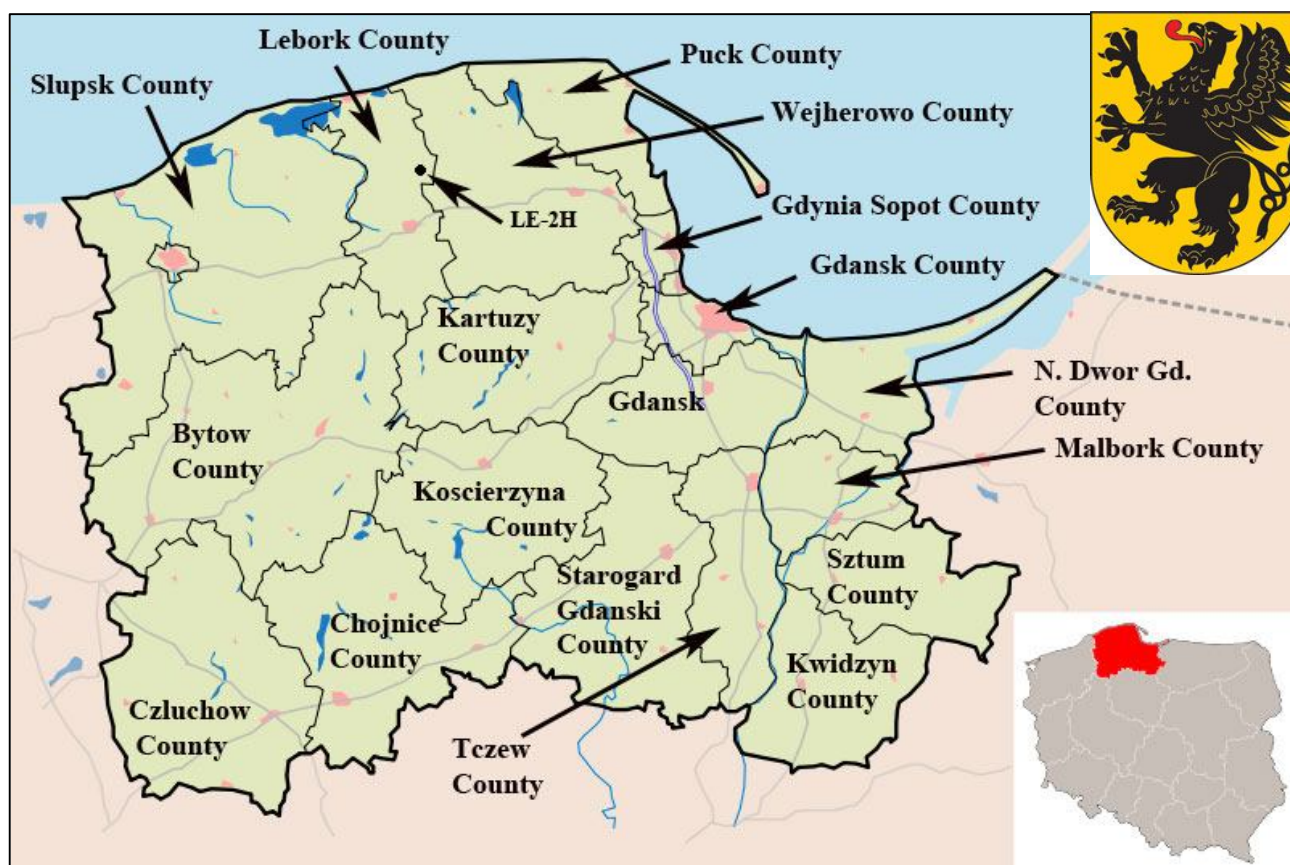
⁹ It's not clear from Nafta Pila's report if the pit, in the top photo, was the only one it was referring to.

¹⁰ Source: 3Legs Resources, *Interim Report, June 30, 2011*, Operational Update.

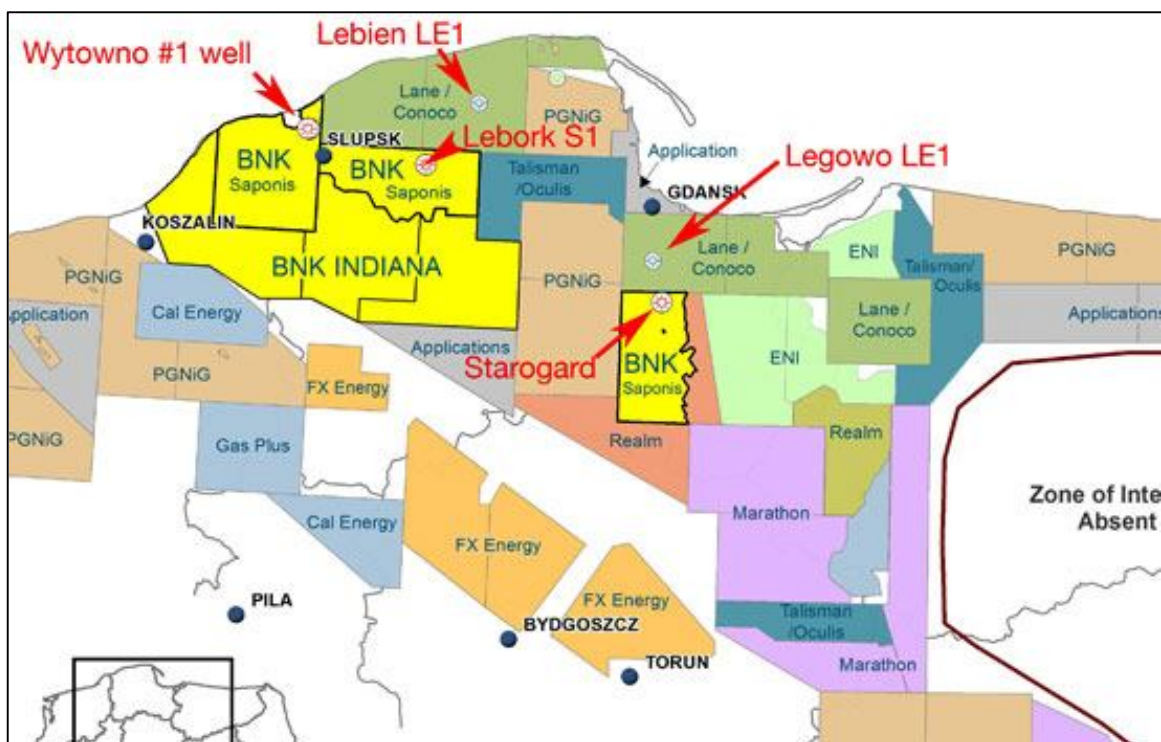


The Google Earth images are 6 years old. The top image's dimensions are 2.5 km by 5.5 km, and nearest farm is 700 metres distant. Where did the company get the water from? How much water was used? Where was the water being disposed? What sort of contaminants were in the water going down, and flowing back up? What happened to the drilling fluid waste? How many more wells are scheduled to be drilled over the next 10, 20, 30 years?





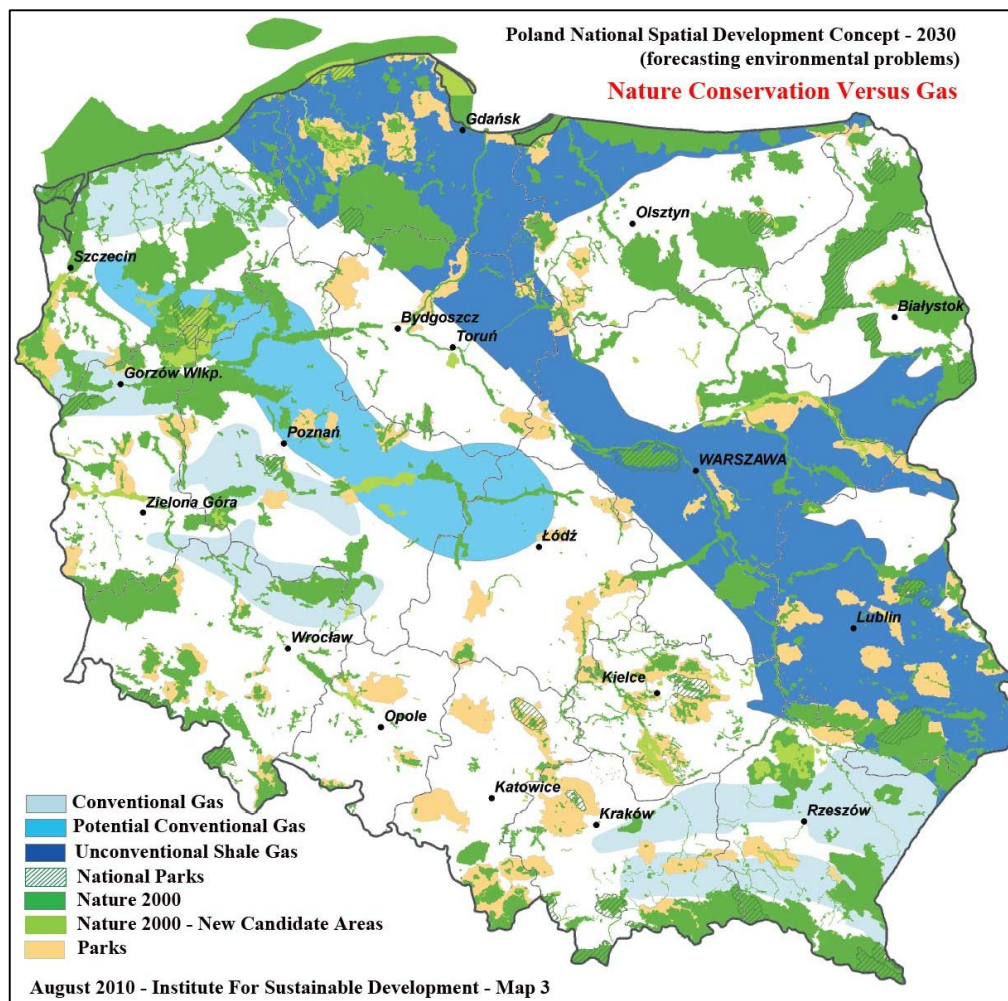
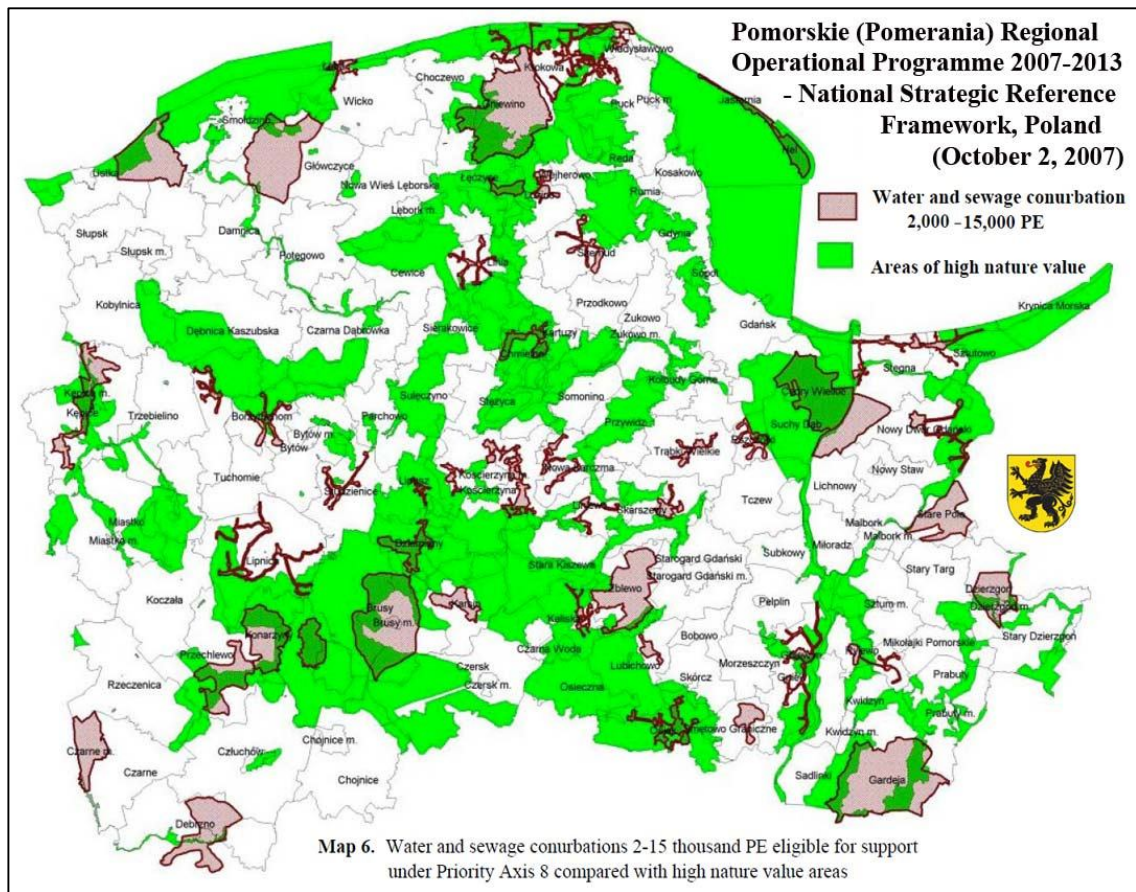
The top map shows the Province of Pomerania and the location of LE-2H well in Lebork County. The bottom map (from BNK's June 1, 2011 presentation) shows BNK's permit (yellow), Lane Energy & ConocoPhillips (dark green), Talisman Energy & Oculis (aqua blue), PGNiG (medium brown), Marathon Oil (purple), Realm Energy (dark brown), FX Energy (bright brown), Cal Energy & Gas Plus (grey blue). If the companies are allowed to do what they would like to do, thousands of wells may be drilled in Pomerania alone. In January 2010, investors began promoting Pomerania's underworld shales as the next 'Qatar'. Public relations efforts to win over Pomeranians are increasing as evidenced in conference agenda messaging themes during the September 5-8, 2011 South Baltic Gas Forum held in Gdansk.





A French TV crew (*Planet Hope* program, France24.com) showed up at the Lebien LE-2H well site while Schlumberger's crew was fracking. The camera was following Marek Kryda from INSPRO. "No environmental impact assessment was required here," said Kryda. "Chemicals are pumped into the ground and we (government) are not interested in the environmental impact of these poisonous chemicals. I don't think it is right." A security officer appeared and asked the camera and Kryda to leave the area. "A team of inspectors from Poland's Geological Institute show up and they turn out to be even more evasive," said the commentator. "We don't have any plenipotentiary powers to comment on what is happening here ... we're just here for ... lovely weather, isn't it?," said one of them (bottom left photo). "Marek is appalled by the lack of transparency."



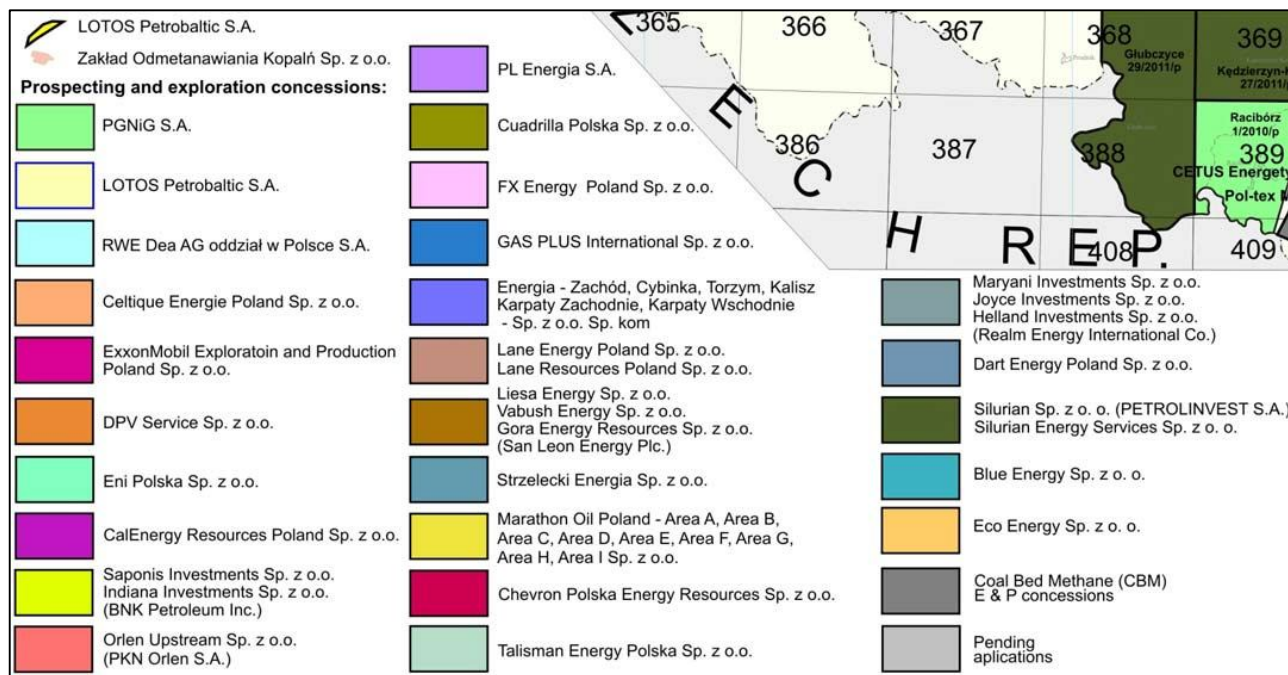


The top map is from the last page of *Pomorskie Regional Operational Programme 2007 - 2013* report by the Counties of Pomerania. It is an indication of some of the land use concerns that energy companies will be facing in the very near future.

The map to the left is from the EU Nature 2000 program, as it applies to EU State member Poland. There are evidently very high conservation values in the province of Pomerania (top middle area of the map). Pomerania has many lakes and wetlands, with high biodiversity values.

11-(7). The Concession Procession

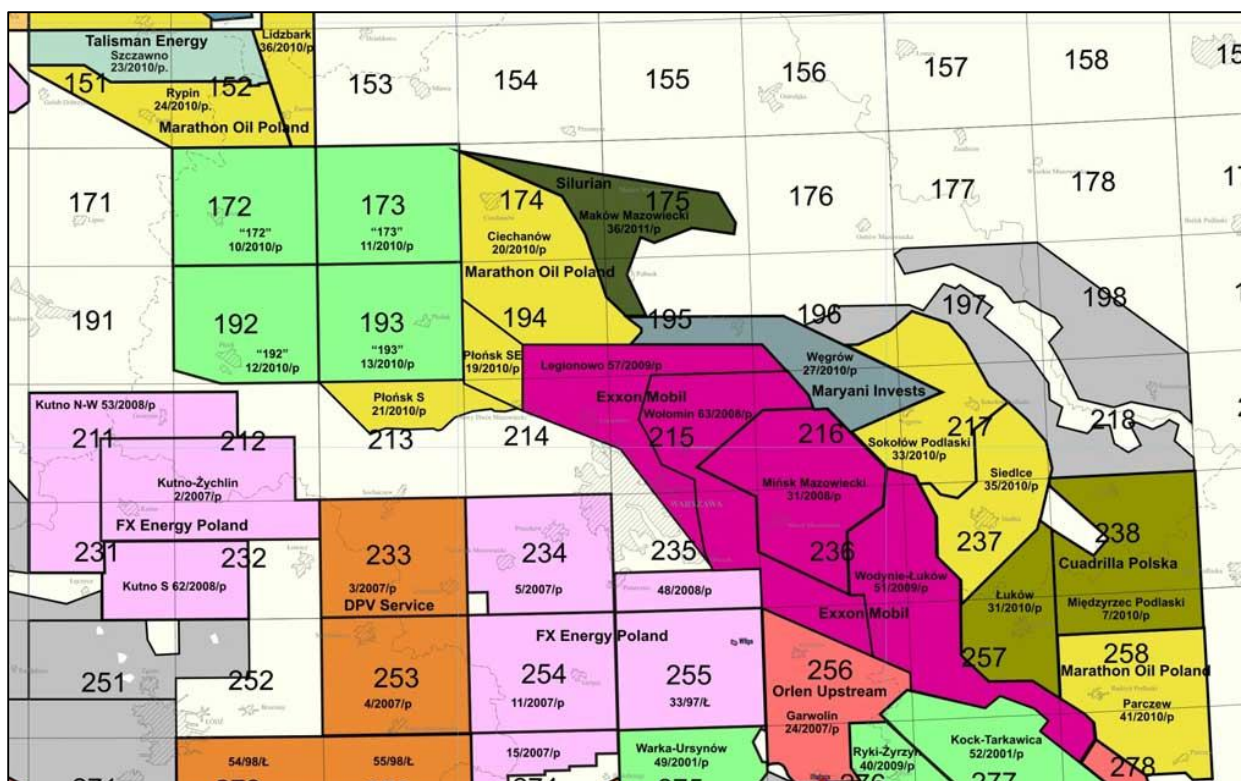
On March 7, 2007, Poland's Ministry of Environment began dishing out numerous unconventional oil and gas shale concessions to: PL Energia SA; FX Energy Poland Sp. Ltd.; FX United Energy Ltd.; Aurelian Oil & Gas Poland Sp. Ltd.; Energie Celique Poland Sp. Ltd.; Poland CalEnergy Company Ltd.; RWE Dea AG SA Poland Branch; and Gas Plus International BV, Petrobaltic SA; Lane Energy Poland Sp. Ltd.; PKN Orlen SA; EurEnergy Resources Poland Sp. Ltd.; Lublin Energy Resources Ltd.; Energy West; PGNiG SA; and others.



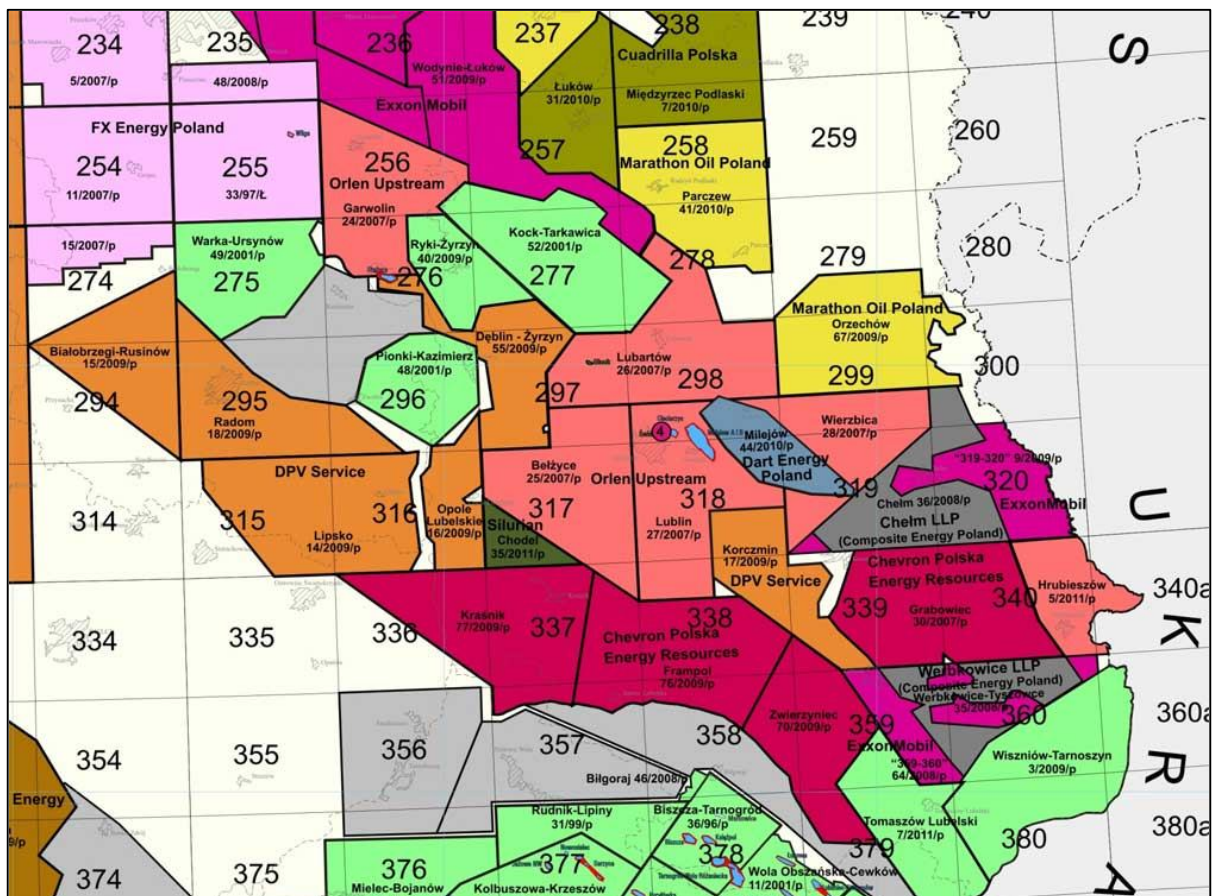
Cut out from a September 30, 2011 *Map of Concessions for Hydrocarbon Exploration and Production* in Poland, showing the holders of the concessions. The concession holders make farm-in and cooperative agreements with other energy companies and investors, and their names are not mentioned in this map list, making it more difficult to know all of the unconventional players in Poland. And, the names keep changing for various reasons, some of which relate to concession holders flipping their lands for a profit, akin to practices by real estate investors.

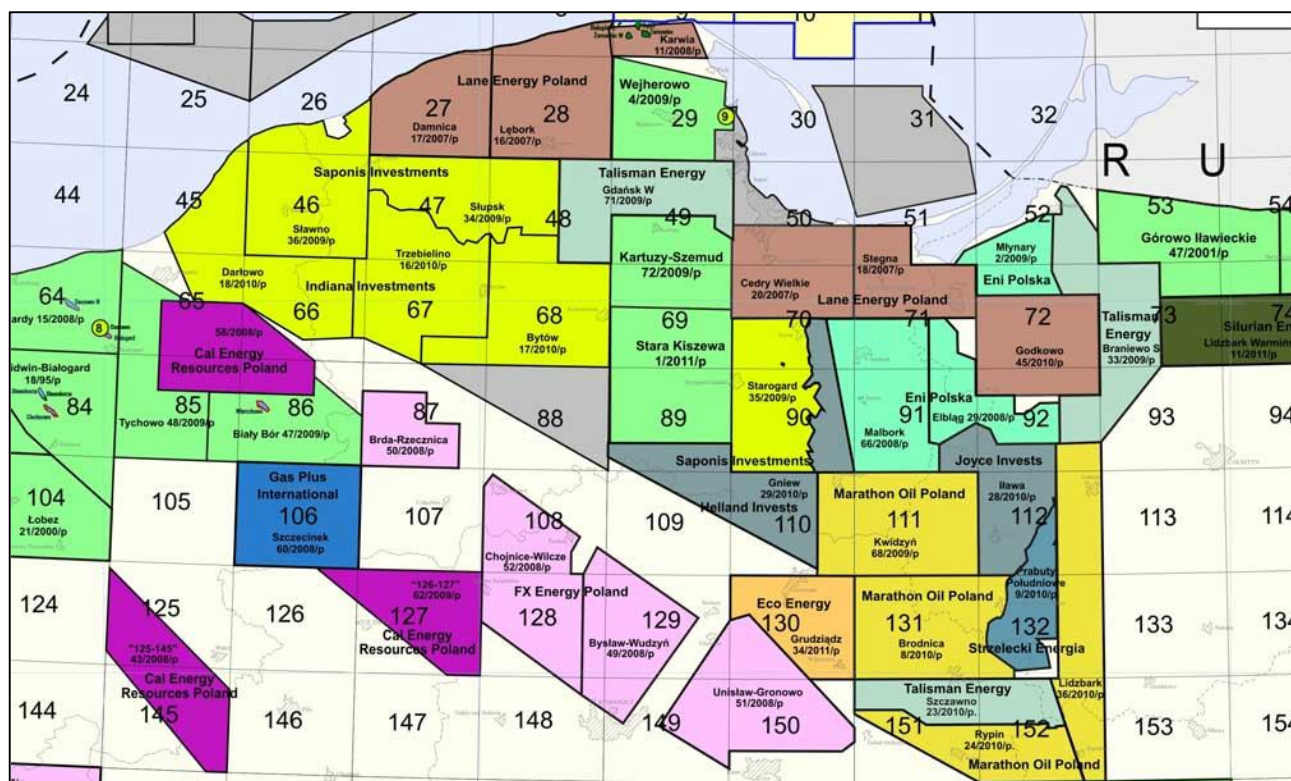
Over the following years additional concessions were granted to: Chevron Energy Resources Poland Sp.; Chevron Exploration and Production Poland Sp.; Cuadrilla Poland Sp. Ltd.; Cybinka Energia Sp. Ltd.; Energy Kalisz Sp. Ltd.; Energy Ltd. Eastern Carpathians Ltd.; Torzym Energia Sp. Ltd.; ExxonMobil Exploration and Production Poland Sp.; Gas Plus International Sp.; Gora Energy Resources Ltd.; Helland Investments Sp.; Indiana Investments Sp.; Joyce Investments Sp.; Land Resources Poland Sp.; Liesa Investments Sp.; Marathon Oil-Poland Sp.; Maryana Investments Sp.; Minsk Energy Resources Ltd.; Oculis Investments Sp.; Lotos Petrobaltic SA; Orlen Upstream Sp.; Saponis Investments Sp.; Strzelecki Energia Sp.; and Vabush Energy Sp. There are more, including farm-in agreements and investments by a Japan's Mitsui & Co., and recently, Encana (Canada).



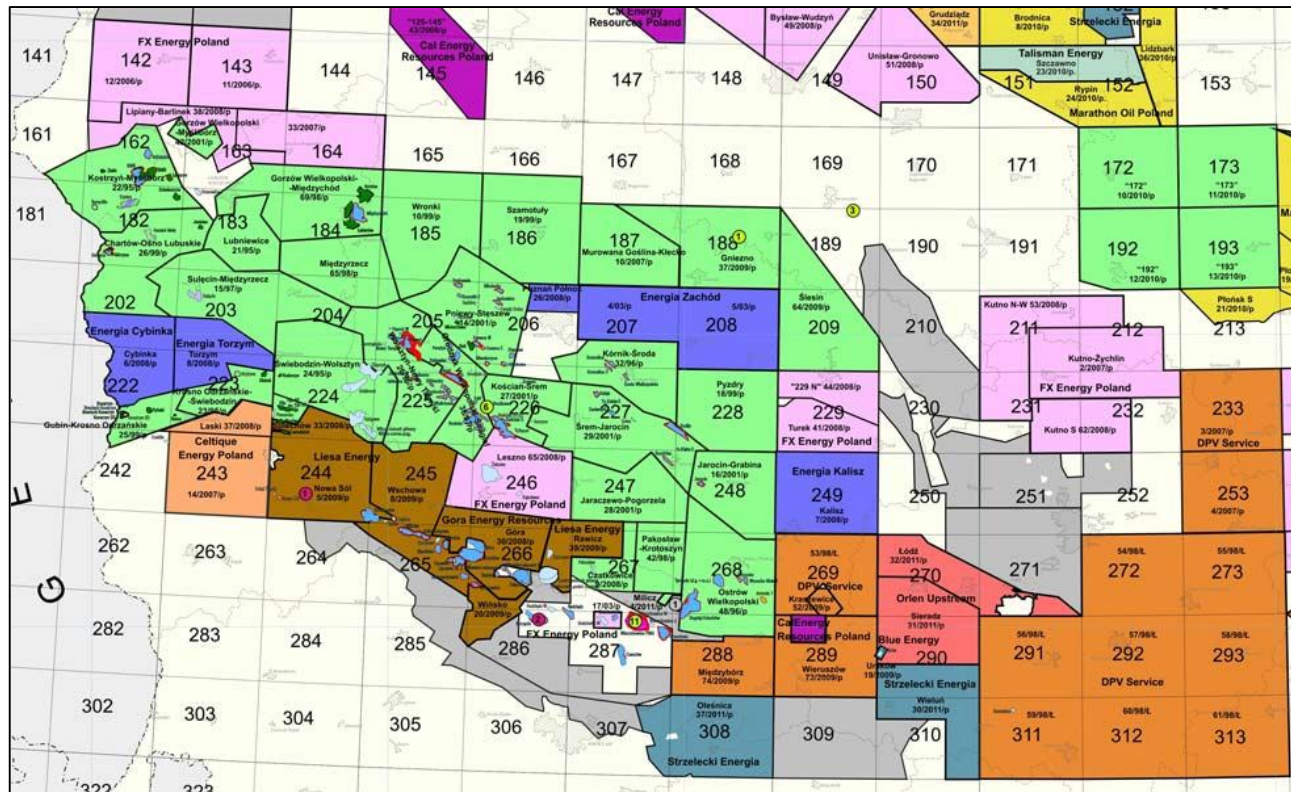


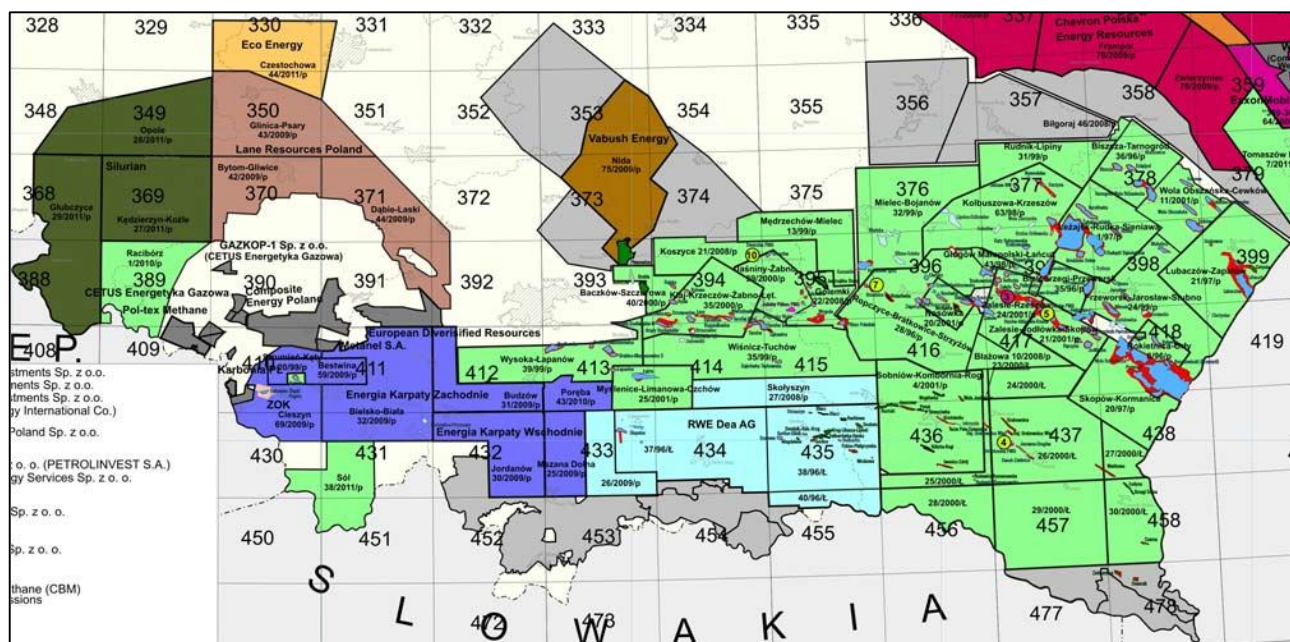
More cut-outs from the September 30, 2011 concessions map. Refer to the legend above to help identify the companies.





Above, the northern segment of the September 30, 2011 concessions map. The grid squares in the three maps shown here are about 32 kilometres square. The bottom map cut-out shows the concessions in mid-western Poland.





Top: the concession area in southern Poland, in the Carpathian Mountains.



Nafta Pila drilling service company president Henryk Dytko (centre) and Canadian-based Talisman Energy Polska Sp. representatives ceremoniously sign drilling contracts on April 13, 2011, in the headquarters of Polish Oil & Gas. (Source: 3 photos from Nafta Pila website.) Talisman Energy and San Leon own 3 concessions in northern Poland. The photo to the left shows one of Nafta Pila's rigs, next to local water reservoirs.



11-(8). May 6, 2011 - “Cracking the Minds of the People”

Marek Karabula, vice-president of the Polish Oil and Gas Company (PGNiG), used a technical term from shale gas development, saying that there was a need to “crack the minds of people” with respect to shale gas.... He said that despite videos circulating on social media presenting shale gas as a threat to the environment and a danger to consumers, awareness would be raised in Polish society that shale gas is “good” and “safe”. (Poland takes lead as EU’s shale gas promoter, published by EurActiv.com, May 9, 2011, commenting on the May 6th shale gas conference in Brussels.)

Starting off in the long line up for conferences scheduled for May 2011, was one on May 6th in Brussels organized by Canadian-based **Talisman Energy**, Poland petroleum companies **PGNiG** and **PKN ORLEN**, Poland’s **Ministry of Foreign Affairs** and European think tank **demosEuropa** (Centre for European Strategy), *Shale Gas and the Future of EU Energy and Climate Policy*.

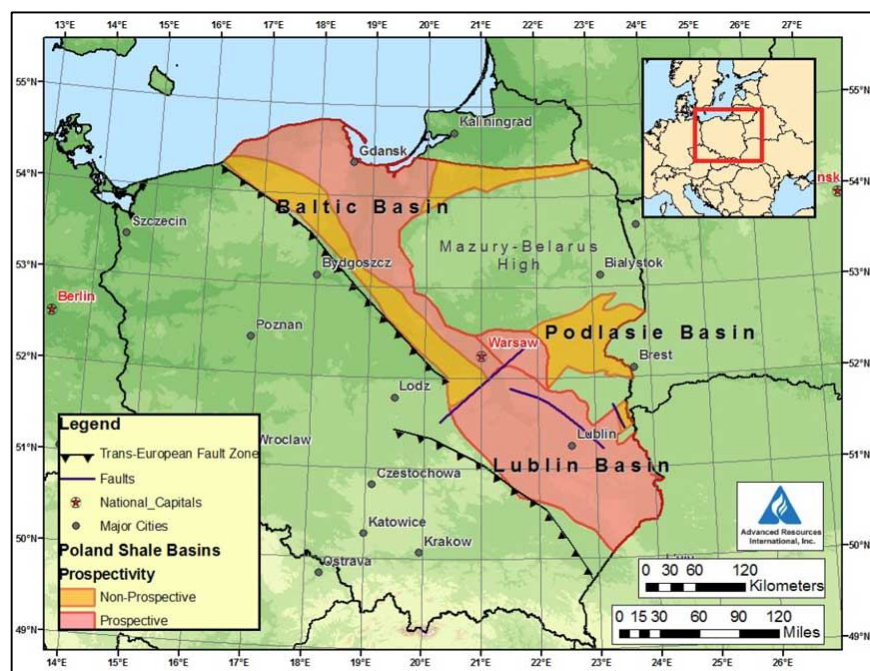
According to demosEuropa’s website, the:

Centre for European Strategy is an independent international research institution which aims to provide strategic insights into key aspects of the European Union, the functioning of its institutions and policies. It seeks to formulate answers to the challenges facing the European Union, its member states and citizens. The Centre conducts research and analysis and promotes initiatives that look into the future and anticipate change. The Centre was incorporated in July 2006 as a private, non-profit foundation operating under the Polish law, with its registered office in Warsaw, Poland.



DemosEUROPA president, Paweł Świeboda. According to the think tank’s website he “served as the EU Advisor to the President of Poland

in the years 1996-2000.” Among his numerous high-profile advisory duties related to the EU, he “was a member of the Advisory Group which assisted the Polish government in its preparations for the EU presidency in 2011. In December 2010 he was appointed by the President of Poland to chair one of the four task forces in the Strategic Review of National Security.”



Following demosEurope president Paweł Świeboda’s conference opener, Poland’s Foreign Affairs Undersecretary of State Maciej Szpunar presented the keynote address, where he emphasized Poland’s unconventional gas potential based on the U.S. Energy Information Administration’s global shale gas report.

Map of Poland’s shale gas from the EIA’s *World Shale Gas Resources* report. Note the blue Advanced Resources triangle logo on the map.

After Oxford University energy policy professor **Dieter Helm**'s pep talk, came a six-panel member discussion. The members: Commissioner of British Columbia Oil and Gas Commission **Alex Ferguson**; **Andrezeu Kozlowski**, executive director at PKN ORLEN and chair of ORLEN Upstream; Talisman Energy's chief geoscientist **John Logel**; Polish Oil and Gas Company vice president **Marek Karabula**, and **Dieter Helm**; and Europe in the World, E3G programme leader **Jesse Scott**.



Alex Ferguson, a former chief forester with Canadian Forest Products, was appointed head of the B.C. Oil and Gas Commission in 2007. Just prior to leaving the Commission on August 10, 2011, the Commission granted two rather large water fracking withdrawal permits (7.3 billion litres of water per year) to Talisman Energy and Canbriam Energy without conducting a public consultation review process, which Ferguson's boss, B.C. Energy Minister Rich Coleman promised would take place. Ferguson departed to take a position with Apache Canada's office in Calgary, Alberta, the Houston, Texas Canadian affiliate with shale gas holdings in British Columbia and Alberta, the company which was just given a permit to export shale gas from the proposed Kitimat LNG site. What did Mr. Ferguson tell the delegates about regulating the fracking industry in B.C.? The inside scoop on low royalty schemes?

11-(9). May 11-12, 2011

The United States Energy Association (USEA) hosted another *Polish-US Energy Roundtable* on May 11-12, 2011 in Warsaw, Poland, held in the Ministry of Economy's ABC room. It was a two day event also sponsored by the Embassy of Poland's Trade & Investment Section and IZBA Gospodarcza Energetyki.¹¹ The event's poster stated the conference "is an opportunity for Polish and American energy officials and private enterprise to share expertise and collaborate on potential investment opportunities pertaining to energy development in Poland."

Speakers at the event:

- Marcin Korolec – Undersecretary of State, Poland's Ministry of the Economy
- Edward G. McGinnis – Deputy Assistant Secretary for International Nuclear Energy Policy and Cooperation, U.S. Department of Energy
- Lee Feinstein – U.S. Ambassador to Poland
- Peter M. Perez – Deputy Assistant Secretary for Manufacturing, U.S. Department of Commerce
- Maciej Kaliski – Director – Department of Oil and Gas, Poland's Ministry of the Economy
- Mark Swift – Area Manager for Continental Europe, Halliburton



Second from left, US Ambassador Lee Feinstein.

¹¹ IZBA Gospodarcza Energetyki Ochrony Srodowiska. The company's name in English translates roughly, Chamber of Commerce, Energy and Environmental Protection. It is a poland-wide private industry organization of 140 companies meant to solve economic and organizational problems. It was formed in March 1993, with a focus on energy programs.

- Dr. John F. Damanti – Vice President, Oil & Gas Business Development EMEA, URS Corporation
- Dr. Leigh A. Hackett – Vice President, Sales & Marketing, CO2 Capture Systems, Alstom Power
- Malla Reddy – Vice President – International Operations, FLUOR Limited
- Ilya Solovev – Commercial Director, GE Energy
- Andrzej Chwas – Acting Director, Nuclear Energy Department, Poland's Ministry of Economy
- Robert Pearce – Director, International Customer Projects, Westinghouse Electric Company
- Ziemowit Iwanski – Region Executive – Market Growth, GE Hitachi Nuclear Energy
- Chris Maslak – Bechtel
- John Bottomley – AES
- Brian Thompson – Alter NRG
- Michael Wagner – Marketing Director, GE Jenbacher
- Grzegorz Tomasik – Board Member, PSE – Operator S.A.
- Tomasz Dabrowski – Director of the Energy Department, Poland's Ministry of the Economy
- Bartosz Wojszczyk – Global Smart Grid Technical Solutions Leader, GE
- Warwick Charlesworth – IBM Global Business Services - CEE Utilities, IBM

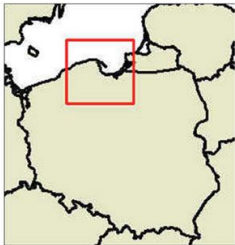
According to a short account of the event by petroleum company ORLEN Upstream:

During the roundtable panels the most interesting topics of the Polish and American power industry were raised. The objective was to strengthen the co-operation and share experience between the two countries. The first panel was devoted to the shale gas.

The discussants included: Mr. Maciej Kaliski, Director, Department of Oil and Gas, Ministry of Economy, Marek Karabula, Vice President, PGNIG (Polish Oil and Gas Company), Mr. Marta Wągródzka, Chief Expert, Department of Geology and Geological Concessions, Ministry of the Environment, Mark Swift, Area Manager, Halliburton, and Dr John Damanti, Vice President, URS Corporation.

During the meeting, ORLEN Upstream was represented by Ms Magdalena Piątkowska, Regional Manager. Discussed issues included the perspectives of the shale gas consumption in Poland, challenges related with its production and licensing rules regarding exploration and extraction.

Kaliski spoke on *Perspectives of Shale Gas use in Poland*. Karabula spoke on *Challenges of Shale Gas Exploration in Poland*. Wągródzka spoke on *Shale Gas Licencing in Poland*. Swift spoke on *Hydraulic Fracturing Challenges in Poland*.

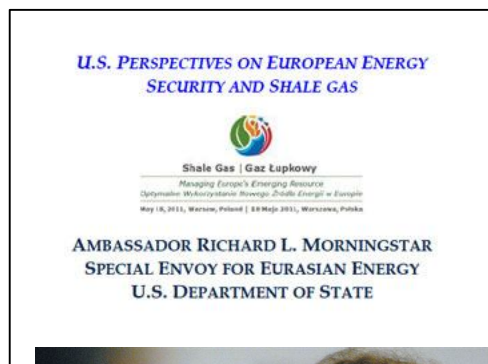
<p style="text-align: center;">US-Poland Energy Roundtable</p> <p style="text-align: center;">Issues Involved in Initiating Shale Gas Exploration Activities in Poland</p> <p>Bill Babcock ConocoPhillips Director Global Resource Plays</p> <ul style="list-style-type: none"> ■ Large number of wells required to develop low perm reservoirs <ul style="list-style-type: none"> • full field development can be well over 1,000 wells; > 100 wells a year <p style="text-align: right;">ConocoPhillips</p>	<p>Barnett core area</p> <ul style="list-style-type: none"> • 5,700 wells drilled in 1,600 km² • 1 well every 0.3 km² on average • Success case potential of thousands of wells on Lane Energy/COP position 
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At the first June 22-23, 2010 Energy Roundtable, Bill Babcock from ConocoPhillips gave a presentation and inferred that based on the company's results in the Barnett shales in Texas, Lane Energy and ConocoPhillips could potentially drill **"thousands of wells"** on their concessions alone.

11-(10). May 18, 2011: 44 Days Before the EU Presidency - D-Day-2. The Big Kahoona Pro-Fracking Conference and the Organized Media Rallying Cry Against EU Fracking Regulation in Poland

It was just over 13 months since the initiating US-Poland conference on April 8, 2010 where some of the heavy-weights from the US State Department showed up. During that 13-month period, a mountain of promotional groundwork and institutional undertakings had been accomplished by government agencies, think tanks, and the petroleum sector network to pave the way, to get the ball rolling. Finally, the second significant event, D-Day-2, forty-four days before the EU Presidency. And, once again, US State Energy Envoy for Eurasia, Richard Morningstar, showed up, the appointed unconventional 'energy security' figurehead to aid America's petroleum industry. It was held in Poland's capital, Warsaw, and was called *Managing Europe's Emerging Resource*. The day's agenda was divided into 6 panel themes:

- *European Regional Energy Security and the Impact of Shale Gas;*
- *European Shale Gas – Strategies for its Development;*
- *How Can Technology Enhance the Value of Unconventional Gas in Poland and Europe?;*
- *Shale Gas Development, Responsible Stewardship, and Protecting the Environment;*
- *North American and European Shale Gas Regulations – Perspectives for Poland;*
- *Shale Gas and Local Communities.*



Conference delegates during the first panel discussion. For the new shale gas agenda in Europe, the European Union would have to adapt, and Poland would have to alter its laws and regulations for the energy companies to 'properly' frack it all.

Alongside Ambassador Morningstar, representatives from the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Interior gave panel presentations. What was the message from the United States to the delegates? Self-regulation, 'guidelines', and 'best practices,' probably the same messaging that Mike Smith from the Interstate Oil and Gas Compact Commission gave 13 months earlier. EPA's Bernadette Rappold, with Special Litigation & Projects Division, wrote that her presentation "does not represent, and should not be construed to represent, any formal or informal EPA determination, policy or regulation."



The speakers and moderators for day's event:

Introductory panel:

- H.E. Radosław Sikorski - Minister of Foreign Affairs, Republic of Poland,
- H.E. Lee Feinstein - U.S. Ambassador to Poland

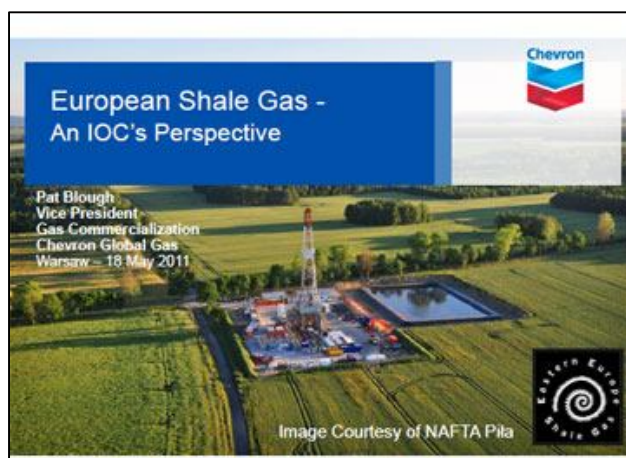
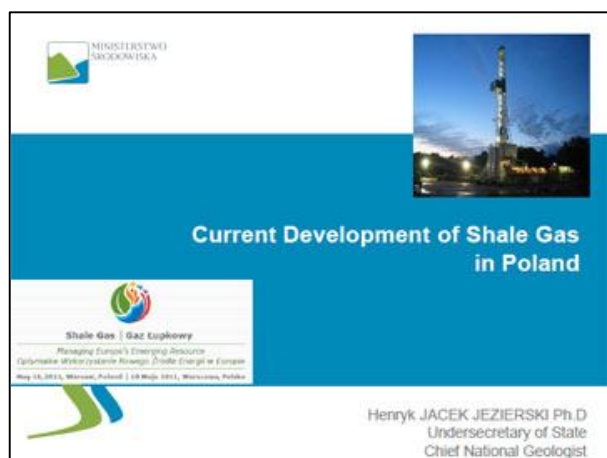
Panel 1:

- H.E. Traycho Traykov - Minister of Economy, Energy and Tourism, Republic of Bulgaria
- Mikołaj Dowgielewicz - Secretary of State, Ministry of Foreign Affairs, Republic of Poland
- Ambassador Richard Morningstar - Special Envoy for Eurasian Energy, U.S. Department of State
- Mikołaj Budzanowski - Undersecretary of State, Minister of State Treasury, Republic of Poland

Panel 2:

- Henryk Jeziński, Undersecretary of State, Ministry of Environment, Republic of Poland
- Wiesław Prugar, President, Orlen Upstream, Board Member of OPPPW
- Patrick Blough, Vice President for Gas Commercialization, Chevron Global Gas
- Bogdan Marcinkiewicz, Member of European Parliament

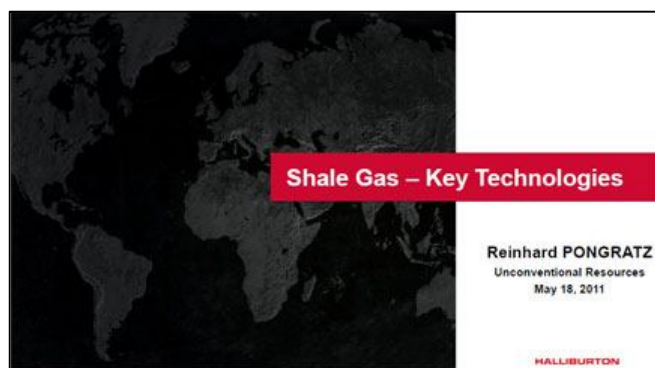




Title pages of three of the four powerpoint presentations from Panel 2. The image on the preceding page of Uncle Sam saying “I want you” is from Jezierski’s presentation. Note Chevron’s title page image, the repeating theme of Lane Energy and ConocoPhillips Lebien LE-2H well in the county of Lebork.

Panel 3:

- Professor Stanisław Nagy - AGH University of Science and Technology, Kraków (moderator)
- Doug Bentley - Schlumberger
- Reinhard Pongratz - Halliburton
- Josef Shaoul - Stratagen Engineering

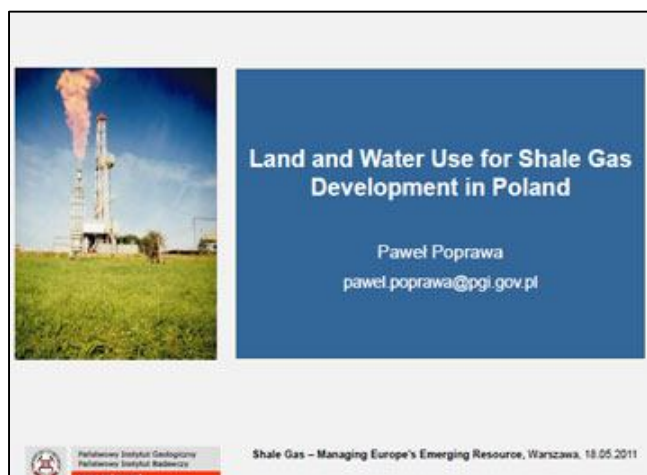
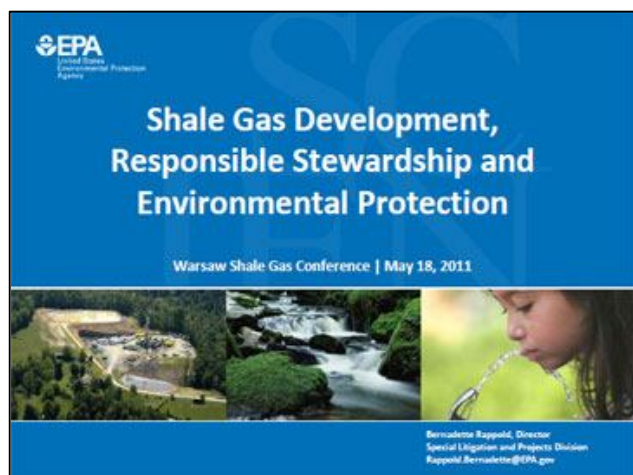


Slides from panel 3.

The “brute force” image is from Bentley’s presentation.

“Brute Force” APPROACH





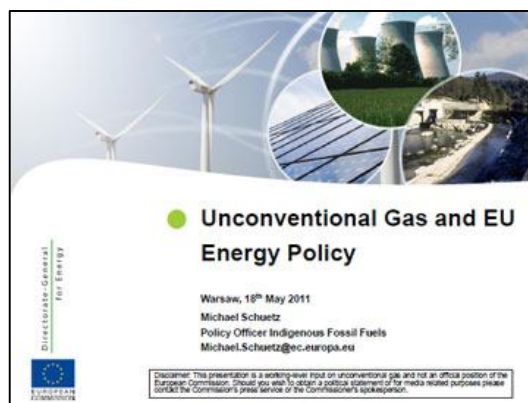
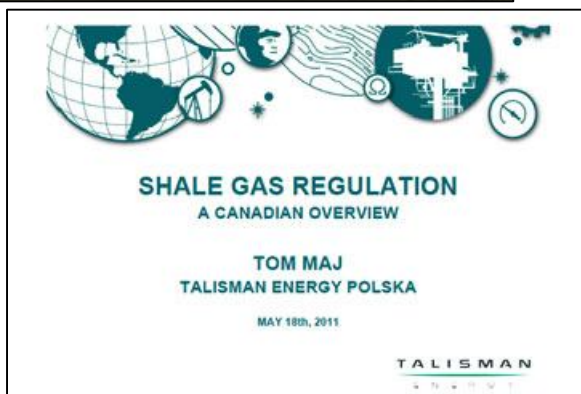
Panel 4:

- John Claussen - Chevron, OPPPW (moderator)
- Bernadette Rappold - Office of Civil Enforcement, U.S. Environmental Protection Agency
- Paweł Poprawa - Polish Geological Institute
- Mihai Tomescu - DG Environment, European Commission



Panel 5 :

- Paweł Martynek - Orlen Upstream, OPPPW (moderator)
- Nick Douglas - Bureau of Land Management - U.S. Department of the Interior
- Tomasz Maj - General Manager, Talisman, OPPPW
- Michael Schuetz - DG Energy, European Commission





Lubelski Urząd Wojewódzki

Gaz łupkowy w województwie lubelskim, konferencja, 18 maja 2011 r.



GAZ ŁUPKOWY W WOJEWÓDZTWIE POMORSKIM

zaangażowanie firm w prace poszukiwawcze
dialog ze społecznościami lokalnymi

Warszawa, 18 maja 2011r.

2011-05-17

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Panel 6: Shale Gas & Local Communities

- Grzegorz Pytel - Energy Expert, The Sobieski Institute (moderator)
- Nina Różańska - Advisor, Office of the Governor of Lublin Voivodeship
- Ryszard Świlski - Board Member of Pomerania Voivodeship, Office of the Marshal of Pomerania Voivodeship
- Paweł Pudłowski - Marathon, OPPPW



Organizacja Polskiego Przemysłu Poszukiwawczo-Wydobywczego
Polish Exploration and Production Industry Organization

Engaging local communities

Shale Gas Conference, Warsaw, 18 May 2011

The final theme for panel 6 was the most sensitive - how to manage the public. At another forum 12 days previous (see above), vice-president Marek Karabula of Poland's

PGNiG bluntly stated that the petroleum industry should "crack the minds of the people," an ill-minded fracking pun. Consider the patron sponsors of the conference: Chevron, ConocoPhillips, ExxonMobil, Halliburton, Marathon Oil, Schlumberger, AmCham Poland and Wood Mackenzie.

There was something new about panel 6, something that organizers of these larger petroleum conference events had hitherto not included. In the past, only primary-level state government representatives appeared, never secondary or tertiary level government reps. State representatives operate at more of a distance or isolation from the public than do administrators at the municipal and community levels, a global phenomenon (problem) more beneficial to industry lobbyists. There are opportunities for public accountability at municipal and community level governments, at open forums and processes where the public can more easily present their concerns and access politicians, outcomes which often depend on who gets elected to office - the administrative positions and philosophies of elected officials. That was demonstrated in southern Sweden where residents organized enormous pressure on Royal Dutch Shell.

Two of the three panellists were administrative representatives from two of Poland's 16 provinces, Pomerania and Lublin, at the opposite ends of Poland's fracking zone poles. From the southeastern province of Lublin, Nina Rozanska, an 'advisor' to the Governor of the Lublin County (the most western part of which Schlumberger fracked Poland's first shale gas well under contract with PGNiG). Her conference biography states: "Since 2008, she has been an Advisor to the Governor of Lublin Province on issues referring to renewable sources of energy, collaboration with Lublin

universities and foreign companies particularly with those interested in the diffusion of innovative technologies at the local level. She is a Member of the Advisory and Consultative Team to the Marshal of Lublin Province on Renewable Energy and a Coordinator of Nuclear Energy Affairs to the Governor of Lublin Province (since 2010).”

In Rozanska’s presentation (top left image on the previous page), she described that Lublin is made up of 20 Counties, represents 8 percent of Poland’s land mass (2,512,249 hectares), and is home to about 2.2 million residents, a statistical average of 86 people/square kilometre. Almost 23 percent of Lublin is set aside through laws to protect the environment. The capital city of Lublin is home to some 350,000 people. She said that some of companies who met with the Governor of Lublin, were three American-based companies, **Chevron Energy Resources Poland Sp.**, **ExxonMobil Exploration and Production Poland Sp.**, and **Marathon Oil Poland Sp. U.S.** Ambassador Lee Feinstein also made a special visit on behalf of the three companies. Rozanska made reference to two provincial processes: RBE (Wojewódzka Rada do spraw Bezpieczeństwa Energetycznego, or Provincial Council for Energy Security), a provincial advisory body; and WKDS (Wojewódzka Komisja Dialogu Społecznego, or Regional Commission for Social Dialogue), an advisory and consultative public forum, a dialogue process to aid the public in assessing regional plans and policies. She summarized that both processes provided an “effective platform for social dialogue,” and presented information on how decision-making processes were delegated to Lublin’s countyships and municipal authorities. She then extolled the benefits and virtues of fracking for Lublin as an “investor-friendly” province.



As of May, 2011, Poland’s Ministry of Environment had granted 26 shale gas exploration concessions to 8 companies in the province of Lublin: two for **Cuadrilla Polska Sp.**; four for **Chevron Polska Energy Resources Sp.**; one for **Composite Energy Poland Sp.**; three for **DPV Service Sp.**; three for **ExxonMobil Exploration and Production Poland Sp.**; two for **Marathon Oil Poland Sp.**; five for **Orlen Upstream Sp. (PKN Orlen S.A.)**; and six for **PGNiG S.A.**

From the northern province of Pomerania, panelist Ryszard Swilski is a board member of the provincial administration of Pomerania (członek Zarządu Województwa Pomorskiego). He is also president of the Pomerania Development Agency (Agencji Rozwoju Pomorza S.A.). He has been involved in local and provincial government in Pomerania for about 17 years as: a councillor and deputy mayor in Pruszcz; chairman of the district council of Gdansk; deputy chair in the Staroste county.¹²



Swilski's presentation title *Gaz Łupkowy w Województwie Pomorskim zaangażowanie firm w prace poszukiwawcze dialog ze społecznościami lokalnymi* (see powerpoint image above, top right, dark blue background) roughly translated in English means *Shale Gas in Pomerania: Companies Involved with Local Communities*. He said that Pomerania has as population of 2.22 million, a land base of 18,314 square kilometres, is divided into 16 counties and 4 regional municipal districts, and 123 municipalities (of which 81 are rural) are found within the province. He referenced two strategic development documents: the October 23, 2006 *Regional Energy Strategy* (Regionalna Strategia Energetyki w Województwie Pomorskim), and the July 18, 2005 *Pomeranian Development Strategy* (Strategia Rozwoju Województwa Pomorskiego). With regard to the Energy Strategy document, he said there was a need to update it to implement the shale gas initiatives.

Nazwa firmy	Rok wydania koncesji	Oznaczenie koncesji (ilość koncesji)	Powierzchnia na terenie woj. [km ²]
Lane Energy Poland Sp. z o.o.	2007	Lębork, Stegna, Damnica, Cedry Wielkie (4)	3120
PGNiG S.A.	2009, 2011	Kartuzy-Szemud, Wejherowo, Stara Kiszewa (3)	2700
Indiana Investments Sp. z o.o.	2010	Trzebielino, Darłowo, Bytów (3)	2630
Saponis Investments Sp. z o.o.	2009	Starogard, Sławno, Słupsk (3)	2300
Mińsk Energy Resources Sp. z o.o.	2008	Malbork (1)	930
Talisman Energy Polska Sp. z o.o.	2009	Gdańsk W (1)	900
Holland Investments Sp. z o.o.	2010	Gniew (1)	500
FX Energy Poland	2008	Brda-Rzeczniça (1)	500
Marathon Oil Poland Sp. z o.o.	2009	Kwidzyn (1)	360

Swilski had a table with information on the various shale gas exploration concessions granted to nine energy companies since 2007 within Pomerania (left). The first column is the company name, the second the year of the permit, the third the area of the concession, and the last column the total area of the concession.

He said that Lane Energy completed two test wells in May and

August, 2010, and a third started on May 10, 2011. He said that PNGiG was working on a well near Krokowa, with two more expected in 2012, with 64 wells being planned for by 2018. BNK Petroleum (through Indiana Investments) began seismic testing, and plans to drill in 2012. BNK's subsidiary Saponis Investments started on 2 wells in 2011, with another starting later in 2011. The Italian company Eni SpA acquired Minsk Energy in December 2010, and drilling was to begin in the latter half of 2011. Canadian-based Talisman Energy was expected to begin drilling in September 2011. Marathon plans to drill in 2012.

¹² Pomorskie magazine, NR 6, 2010.



The last four slides of Swilski's 19-slide presentation were devoted to public 'benefits' and consultation. In a slide entitled *Positives and Negatives*, of the four messages summarized in one of those slides the last summary said "sporadic protests from the local community," which was underlined in yellow and had a yellow 'unhappy face' nearby.

Swilski said that on April 18, 2011 the Pomeranian regional government established the *Forum for Dialogue and Cooperation Pomorskie "Energy and Self-Governance"* (Forum Dialogu i Współpracy Województwa Pomorskiego „Energia i Samorządność”) to address public concerns about energy issues, such as shale gas and nuclear plants.¹³ An article published the same day in the *Dziennik Bałtycki*, said that future public debates on energy development under this new forum would have an “emphasis on nuclear power,” as the Polish Energy Group may be constructing Poland's first nuclear power plant in Pomerania.

An April 29, 2011 article in the *Gazeta* (*It's all gas, no information*) was an interview with sociologist Piotr Stankiewicz who studies science and technology at Nicolaus Copernicus University. He said that the Forum for Dialogue was an opportunity for all of Pomerania to engage in similar local public forums, and encouraged local communities to include “anti-shale gas experts” at such meetings, because local authorities usually have private meetings with shale gas investors and company officials. He said that community officials often “fear” people who oppose such things and treat them “as radicals.” He said that the Polish government often tries to persuade the public to accept a new policy such as shale gas without its involvement, making the public equate themselves as a flock of sheep. As a recent example of this top-down attitude, he said that had it not been for Greenpeace bringing attention to a flawed review process on strategic nuclear development, where thousands of pages of information for public review was planned for public review during the Christmas to New Years day holiday period in 2010, no one would have noticed. By not initiating in public planning, “government deprives itself of credibility and public trust” he said.

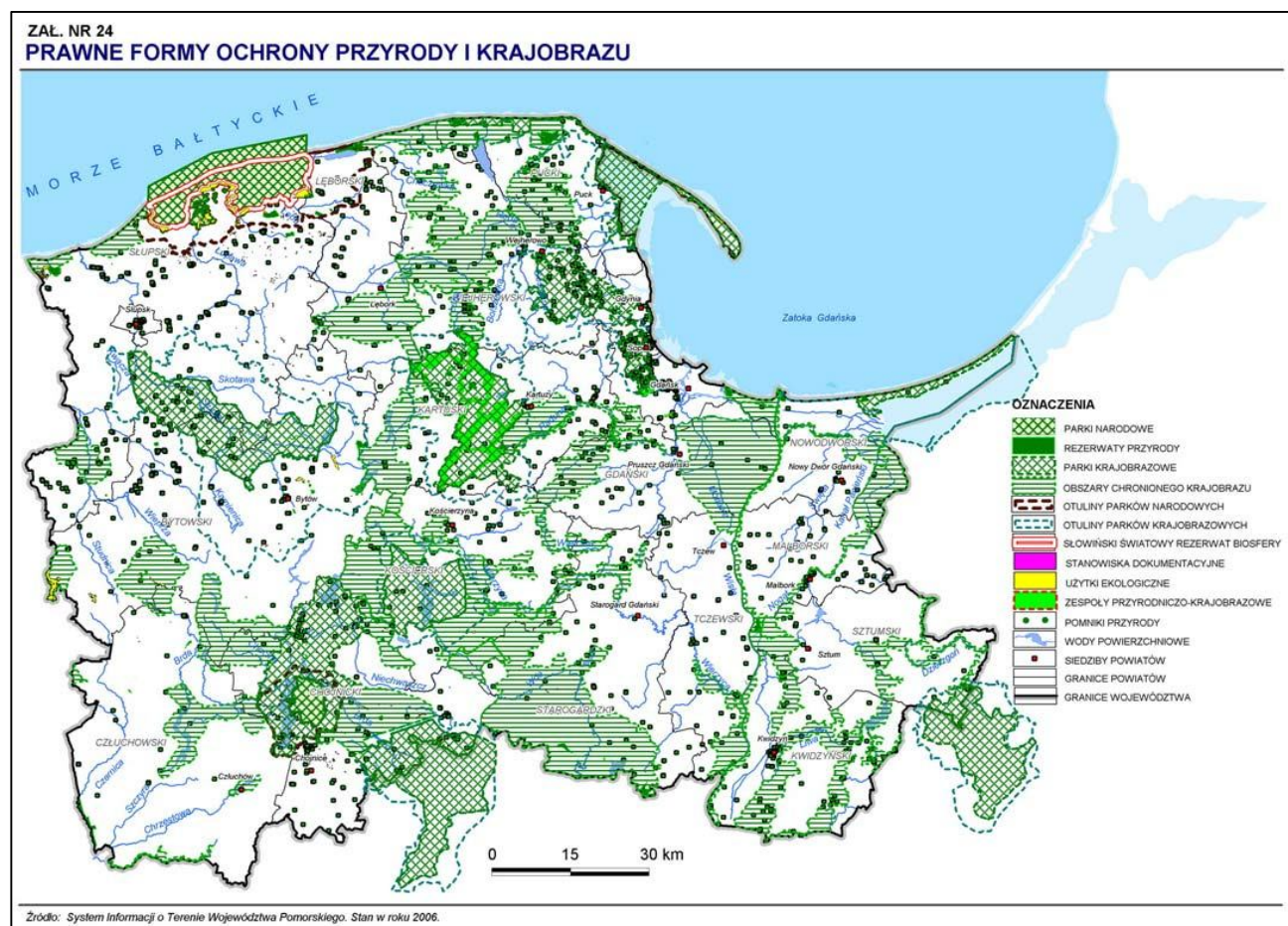
In his last slide, Swilski made reference to a Forum for Dialogue meeting on shale gas planned for June 3, 2011, organized by the Institute for Innovation and Talisman Energy Poland.

Right: poster for the dialogue meetings.

¹³ Forum information at the Gdansk PARK NAUKOWO Technologiczny website: <http://www.energetyka.gpnt.pl>

The “dialogue” event turned out to be a two-hour information lecture with six presentations, and after lunch a discussion period. Most of the audience were young students:

- 10.00 - Opening. Katarzyna Gontarczyk, Foundation Institute for Innovation
- 10.20 - North American experience in finding and extracting gas from shale, Thomaz Gryżewski, Talisman Energy
- 10.40 - Problems and risks and the benefits and opportunities of a market shale gas in Poland, associate professor, Institute for Foreign Trade, University of Gdansk, Sylwia Pangsy-Kania
- 10.40 - Shale gas and the outlook for the Pomerania, Sylwia Pangsy-Kania
- 11.10 - The geological structure of Pomerania, MSc. Pawel Poprawa, Polish Geological Institute in Warsaw
- 11.30 - Environmental aspects of exploration and production of shale gas, Pawel Poprawa
- 11.50 - Energy security Pomerania, Dr. Eng. Tadeusz Zurek, Commissioner for Energy, Pomorskie Marshal's Office.



This map of Pomerania in Pangsy-Kania's first presentation, shows, in the numerous lined and cross-hatched green areas, various protections: national parks, nature reserves, parks and protected ecological landscape areas.

Two more forums were held by the same sponsors but with different presenters: on June 9th at the University of Warminsko-Mazurskiego in Olsztyn; and another on June 16th in Toruń.

There were growing numbers of citizens in Pomerania becoming self-educated on the events of communities facing the onslaught of shale gas around the world, getting organized, and protesting against local, regional and state governments. The sheep were out of the pens.



On October 23 and 24, 2011, articles began appearing in the media ¹⁴ about demonstrations in the municipality of Suleczyno. At a meeting in Zdunowicach, where an unidentified representative from BNK Petroleum appeared, he was surrounded by local

residents who were very concerned about future pollution of their groundwater. Residents had blockaded seismic survey crews out near and in their properties, and even called the police “claiming that the heavy equipment entered their properties without permission.” One resident from Wesiory asked who was going to pay for the cracks in her house from the seismic activities.

¹⁴ Zdunowice. A firm “no” for shale gas, October 23, 2011; and Zdunowice: Shale Gas Protests, October 24, 2011, ExpressKaszubski.pl



The residents were informed by Dzikowska Hanna, with the Gdansk Regional Directorate for Environmental Protection, that when Poland issued the concessions there was “no mandatory preparation of an environmental impact report. Now this has changed.” Someone shouted out to the mayor of



Suleczyna, “are you BNK’s spokesman? Is the gas worth more to you than the people?” At the event was born a new community slogan - *Defend Our Kashubia!* (Brońmy Naszych Kaszub!)

The Kashubian Lake District area is within the northeast of Pomerania, straddling a few counties, a prized area for residents and tourists alike. The Kashubian language is a sub-group of the Slavic languages, a Pomeranian dialect. A 2002 census found that 53,000 people in Poland preferred Kashubian as their speaking language at home, and is the only language in Poland, other than Polish, with legal protection.¹⁵



Top page, left image, from Pila Nafta’s website, with one of the company’s rigs in Pomerania’s lakes district.

Bottom two photos from the website www.iddd.de, and blog bejda.iddd.de. The sign to the right is a notice about FX Energy’s drilling waste stored in a community landfill area.



¹⁵ Wikipedia, Kashubian Language.

11-(11). May 27, 2011 - U.S. President Obama Arrives in Poland (35 days to go)

The use of shale gas, pioneered by the U.S. and Canada, is controversial for its impact on the environment and will be one of the main points on the agenda when President Barack Obama visits Warsaw on May 27-28.

Only France has shale gas reserves on a similar scale to Poland in Europe. But last week France's lower house of parliament approved a bill that would ban shale gas drilling on its territory.

In spite of environmental concerns Poland says it cannot afford to ignore such a valuable reserve of energy. (The Warsaw Voice, Poland Committed to Developing its Shale Gas Reserves, May 19, 2011)

Following the May 18, 2011 shale gas conference in Warsaw where Poland Foreign Affairs Minister Sikorski made some bold statements at a press conference with U.S. Ambassador Lee Feinstein, the headlines across Europe and North America were awash with Poland's reinvigorated pro-fracking ambitions. The headlines were also emphasizing something else: Poland's determination against prohibitive regulations imposed by the European Union. Sikorski:

*We know some countries have followed initiatives aimed at banning shale gas but we should not be afraid. New technologies bring new risks but the technology is advancing.*¹⁶

Not long afterwards, Kashubians in Pomerania were reported in the Gazeta Kaszubska on May 29, 2011 as "not wanting gas" (Kazubi nie chca gazu).

Photo from Gazeta Kaszubska May 29th article of Lane Energy's LE-2H well. Note the sign prohibiting the use of cameras.



Many other organized efforts to promote fracking were in the EU hopper. I.e., five days following the May 18th conference, media outlets ran news items on how Members of Parliament from the United Kingdom had given their consent to frack the UK. The British Energy and Climate Change Committee had conducted a review process on fracking since late 2010 and released their fifth report, *Shale Gas*, on May 23, 2011.

Tim Yeo, the Tory MP and former minister who chairs the committee, said: "Shale gas could encourage more countries to switch from coal to gas, which in some cases could halve power station emissions.

However, the MPs dismayed green campaigners by dismissing evidence that shale gas exploration can be dangerous and damaging to the environment. Drilling for shale gas requires blasting the dense underground rocks in which the gas is found with vast quantities

¹⁶ Poland to Develop Shale Gas Despite Environmental Risk, May 19, 2011.

of water mixed with chemicals. In the US, the pioneer of shale exploration, communities have had their water supply polluted with methane, meaning that in some places the water can be set on fire.

*Keith Allott, head of climate change at WWF-UK, said: “Concerns about water contamination and the greenhouse gas footprint of shale gas are serious and deserve to be thoroughly investigated.” He cited US research that found more than 1,000 cases of contamination from gas drilling, and a recent study that found shale gas had a bigger greenhouse gas footprint than coal.*¹⁷

Considering the findings of the January 2011 Tyndall Centre report, *Shale Gas: a provisional assessment of climate change and environmental impacts*, the MP’s May 23rd report on *Shale Gas* wasn’t wrinkle free. London is an investment hub for energy, and the international-based financial centre, with its numerous think tanks and support mechanisms, were countering the curb against fracking. Later, on July 19, 2011, the Energy and Climate Change Committee released another report, *Shale Gas: Government Response to the Committee’s Fifth Report of Session 2010-12*. What’s interesting about that report, in lieu of Poland’s ascendancy to the EU Presidency, are the conditional statements made regarding Poland on the future political implications of fracking for the UK and the EU. The machinations were at an all-time high:

Committee Recommendations and Government Response ***Background***

1. Mitigation of the risk to water aquifers from hydraulic fracturing relies on companies undertaking the proper measures to protect the environment from pollution. However, there is no evidence that the hydraulic fracturing process itself poses a direct risk to underground water aquifers. That hypothetical and unproven risk must be balanced against the energy security benefits that shale gas could provide to the UK. We conclude that, on balance, a moratorium in the UK is not justified or necessary at present. But evidence must continue to be collected and assessed. We recommend that the Department of Energy and Climate Change monitor current drilling activity in the Bowland Shale formation extremely closely during its early stages in order both to assess the likely environmental impact of large scale shale gas extraction in the UK and also to promote public confidence in the regulation of the activity (Paragraph 17).

Prospects for Shale Gas

*2. We conclude that shale gas resources in the UK could be considerable. However, while they could be sufficient to help the UK increase its security of supply, it is unlikely shale gas will be a “game changer” in the UK to the same extent as it has been in the US. It is more likely that in countries such as **Poland**—with a larger reliance on gas imports and greater potential shale gas resources—the impacts of shale gas production will be significant. (Paragraph 24)*

*3. We conclude that it is important for the UK to monitor the development of shale gas in Poland—the “barometer of Europe” on this issue—both in terms of exploration and regulation. We are concerned that there could be adverse competitive consequences for the UK if **Poland** unilaterally develops its shale gas resources within the EU, particularly if their energy policy is driven by energy security—in spite of the*

¹⁷ MP’s report rejects moratorium on shale gas exploration, The Guardian, May 23, 2011.



environmental concerns associated with hydraulic fracturing—owing to their reliance on imported gas. (Paragraph 37)

13. We recommend that the UK Government monitors carefully the regulatory approach adopted by Poland and any other EU countries where shale gas exploration and production takes place. We recommend that the Government explores the

possibilities of common environmental standards within the EU for shale gas exploration and production. (Paragraph 95)



U.S. President Barak Obama and Poland's Prime Minister Donald Tusk, May 18, 2011, joint press conference.

Obama's two-day visit to Poland at the end of his European tour involved a number of visits and ceremonies. Among renewed and new U.S.-Poland cooperation agreements, one involved energy. At the joint press conference (from which the above photo was taken) Tusk stated:

Shale gas -- well, for obvious reason, it was a subject of important talks -- and nuclear power. We agreed with President Obama that these undertakings are really an excellent area for Polish-American cooperation. And I am sure that it will bring good results. To the Polish people, American people, it will be both joint business and joint common energy security. And it will also be of use to a united Europe, this cooperation that will also give to Europe more stability in terms of energy. (Donald Tusk, official transcript)



THE WHITE HOUSE
Office of the Press Secretary

FOR IMMEDIATE RELEASE

May 28, 2011

Fact Sheet: U.S.-Poland Cooperation on Clean Energy

President Obama and Prime Minister Tusk welcomed new momentum in the two countries' cooperation on energy and climate security, especially in view of Poland's **forthcoming European Union presidency**. They welcomed intensified cooperation between our governments and private sectors in the development of unconventional sources of energy, including shale gas, renewable energy sources like wind and biomass, clean coal technologies, and civil nuclear power capability in Poland.

The leaders reaffirmed the importance of combating global climate change, which both leaders agree is essential to our energy security. They discussed the importance of implementing the key provisions of the Cancun agreements this year and noted the opportunities to work together toward this end in bilateral and multilateral fora, including through the Major Economies Forum. Poland's EU presidency provides an excellent opportunity to strengthen the transatlantic energy dialogue and cooperation, including within the framework of the **EU-U.S. Energy Council**.

The two leaders agreed to hold a high-level session of the U.S.-Poland Strategic Dialogue on clean and secure energy cooperation, aimed at enhancing energy security, building research and development cooperation on energy technologies, and expanding U.S. investments, exports, and participation in technology tenders in Poland. Warsaw's September 2011 International Framework for Nuclear Energy Cooperation (IFNEC) Ministerial, the **next U.S.-EU Energy Council meeting**, the upcoming meeting of the Global Methane Initiative's Steering Committee, and the fall meeting of the **U.S.-Polish Business Roundtable** provide further opportunities to advance common the United States and Poland's joint energy and energy security interests.

Increasing Energy Security, Exports, Investment, and R&D

The U.S. -Polish Strategic Dialogue and bilateral meetings build common approaches to European energy security and complement the energy security cooperation pursued in the **framework of the U.S.-EU Energy Council**.

The U.S.-Poland Economic & Commercial Dialogue (ECD) promotes bilateral trade and investment, including in the energy sector. The May 2011 Energy Roundtable in Warsaw sought to strengthen commercial activity in the energy sector, including on **shale gas**, clean coal technologies, energy efficiency, renewable energy, and nuclear power.

Promoting the Sustainable, Efficient and Environmentally Safe Development of Shale Gas in Poland

Poland and the United States continue ongoing dialogue on regulatory, institutional, technological and environmental aspects of **shale gas development**; exchange of **best practices** and know-how should help build the shale gas sector in a sustainable and environmentally responsible manner to **benefit both Poland and Europe**;

Poland continues to be a leader in the U.S. Global Shale Gas Initiative, and Polish shale gas regulators visited the United States in 2011 through a U.S. Government supported program. The U.S. Embassy in Warsaw and Polish Foreign Ministry co-hosted shale gas conferences with broad international participation in Warsaw in April 2010 and May 2011.

Supporting the Development of a Safe and Secure Nuclear Industry in Poland

The July 2010 'Joint Declaration Concerning Industrial and Commercial Cooperation in the Nuclear Energy Sector', facilitates **civil nuclear cooperation** as Poland builds civil nuclear capacity. The September 2010 Arrangement for Technical Exchange between the Nuclear Regulatory Commission and Poland's National Atomic Energy Agency affirms shared commitments to nuclear safety and information sharing.

The U.S. and Poland participate in the International Framework for Nuclear Energy Cooperation (IFNEC). IFNEC is a forum devoted to peaceful nuclear energy that is efficient and meets the highest standards of safety, security and non-proliferation.

THE WHITE HOUSE
Office of the Press Secretary

FOR IMMEDIATE RELEASE

May 28, 2011

**Fact Sheet: U.S.-Poland Business Roundtable
Fostering Greater Collaborative Commercial Cooperation**

During his trip to Poland, President Barack Obama and Prime Minister Donald Tusk discussed their countries' common interests to enhance U.S.-Poland commercial relations. Poland is an important commercial partner for the United States; the **value of U.S. investments in Poland is \$30 billion** and our two-way trade **last year totalled \$6 billion**. Nonetheless, the United States is the world's largest economy and Poland is one of Europe's fastest growing, and we seek to stimulate more commercial activity between our countries.

To that end, President Obama and Prime Minister Tusk announced the convening of a high-level U.S.-Poland Business Roundtable that would foster a collaborative government and private sector discussion to identify new commercial opportunities, promote innovative research and development cooperation, and to address obstacles that hinder commercial growth. This announcement demonstrates a commitment by both governments and their private sectors to raise bilateral economic and commercial relations to a higher level and to substantially increase trade and investment flows.

- Prior to the roundtable, the U.S. and Polish private sectors will canvass their respective business communities to identify and prioritize business opportunities and constraints. An interim report would be presented to the two governments by October 1, 2011. The final report developed by the private sectors will identify roundtable agenda topics for discussion.
- Senior level government officials from the United States and Poland will participate in the roundtable. Participation of **Polish and U.S. business executives** will be drawn from the American Chamber of Commerce in Poland; the **U.S.-Poland Business Council**; the **bi-national Polish Shale Gas Producers Association**; the Polish Confederation of Private Employers; and other business organizations.

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15. General issue area code FOR <u>FOREIGN RELATIONS</u> (one per page)			
16. Specific lobbying issues <u>promote collaboration between US companies and the Government of Poland</u>			
17. House(s) of Congress and Federal agencies <input type="checkbox"/> Check if None <u>U.S. HOUSE OF REPRESENTATIVES, U.S. SENATE, State - Dept of (DOS), U.S. Trade Representative (USTR), White House Office, Energy - Dept of, Commerce - Dept of (DOC)</u>			
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On the left is re-arranged and condensed information from a two-page U.S. Lobbying Report disclosing the U.S.-Poland Business Council's lobbyist and lobbying amount of \$30,000 for the year 2011. **Elizabeth Chapman** with the legal firm **Williams and Jensen LLC** was lobbying a series of U.S. institutions: U.S. House of Representatives, U.S. Senate, the U.S. State Department, the U.S. Trade Representative, the White House Office, Department of Energy, and the Department of Commerce. The lobbying was approved by the USPBC's president, Eric Stewart. Are there more such reports for the USPBC for 2011, and others by individual members of the USPBC made for the same purpose?

Photo (right) of Presidents Bronislaw Komorowski and Obama, and their aides, at a press conference on May 28, 2011 at the presidential palace in Warsaw.

Photo (below), the meeting of the EU-US Summit in Vienna, Austria, on June 21, 2006, and the release of the Vienna Summit Declaration.



11-(12). November 4, 2009 - the U.S.-EU Energy Council as a fracking conduit into the EU

Formal bilateral energy directives between the United States and the European Union were engraved on November 4, 2009 at the first meeting of the U.S.-EU Energy Council (UEEC) in Washington, D.C., made within the framework of the EU-US Summit meeting on November 3rd held in Brussels. According to the U.S. Energy Department's wing, **Energy Efficiency & Renewable Energy** (EERE), its website states (under the "Europe" link) the UEEC "was created in November 2009 to deepen the transatlantic dialogue on strategic energy issues and establish low carbon energy sources, while strengthening scientific collaboration. The Energy Council has created three working groups that focus on Global Energy Security and Markets, Energy Policy, and Technology Research, Development and Demonstration."

The European Union's website (eurunion.org, under EU/NR 47/09) informational bulletin states that "with the Energy Council, the European Union and the United States aim to deepen their bilateral energy cooperation and to address the growing challenges of global energy security,

sustainability and climate change.” EU Research Commissioner Janex Potocnik (Slovenia) said in the bulletin, “Scientific cooperation to foster development of low carbon energy technologies will be a key pillar of this new EU-US Energy Council. The inclusion of research in this bilateral cooperation is also a political recognition of the importance of science to address our common challenges.” The bulletin also provided a bit of history on its formation linking it to the EU-US Summit meeting in Vienna on June 21, 2006, where “the EU and the US agreed to develop strategic cooperation on energy and energy security, presented in a joint declaration.”

According to a Question & Answer document generated for the November 4th inaugural meeting (MEMO/09/490), “the proposal to set up an EU-US Energy Council was officially tabled in June 2009 via a letter that Secretary Clinton’s special envoy for Eurasian Energy questions, **Ambassador Morningstar** sent to Minister Fule, HR Solana, the President of the Commission as well as Commissioners Ferrero-Waldner, Piebalgs and Potocnik.” Described in a previous chapter of this report, in 2009 U.S. Secretary of State Hillary Clinton appointed two men to lead the international “energy security” charge, **Richard Morningstar** and **David L. Goldwyn**, the latter of whom helped implement numerous agreements with China, India, Jordan, etc., on the development of unconventional oil and gas shales under his Global Shale Gas Initiative. Under his energy envoy Eurasia portfolio, Morningstar would be a keen ally and political advocate for the petroleum industry in its unconventional advances both abroad and at home.

Inaugural meeting of the U.S.-EU Energy Council on November 4, 2009, at the Benjamin Franklin room in the White House. To the far right at the u-shaped rectangular meeting table is David Goldwyn, with hands cupped, and to his right, with the red tie, is Richard Morningstar. In the center table area, the middle two seated figures are U.S. Energy Secretary Steven Chu and Swedish Deputy Prime Minister Maud Olofson. To Olofson’s right is Swedish Foreign Minister Carl Bildt. (The two Swedes represented the EU Presidency) On Chu’s left is U.S. Deputy State Secretary James B. Steinberg.

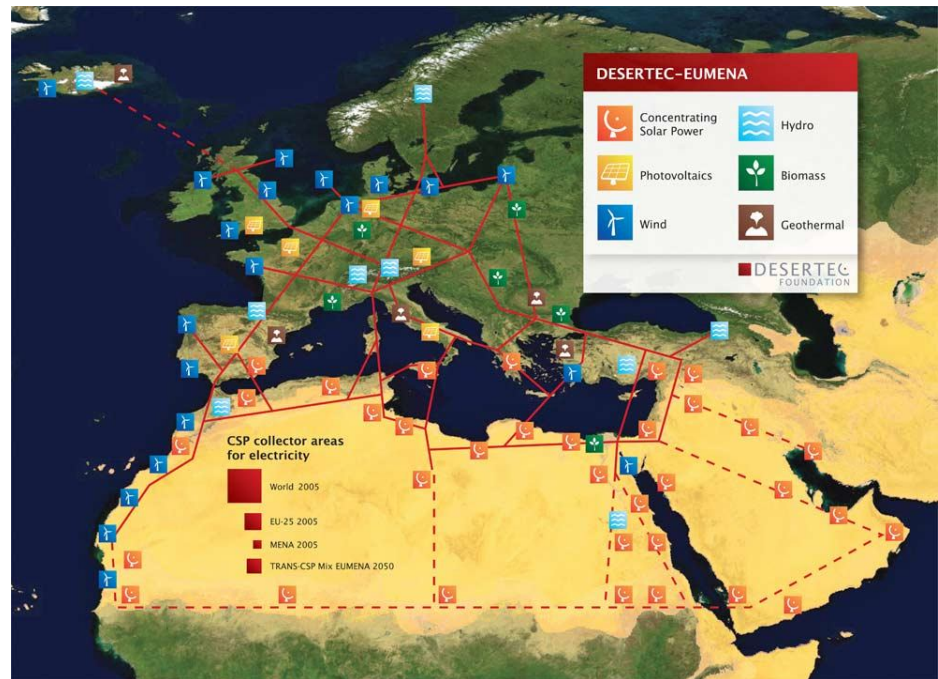


The November 4, 2009 inaugural meeting was preceded by an Energy Security and U.S.-EU Cooperation forum held at the Brookings Institution on November 2nd, one of Washington D.C.’s big think tanks. The forum was co-organized by the Polish and Swedish embassies. Of the 14 speakers at the forum, included were Sweden’s foreign minister Carl Bildt, European Commissioner for external relations and EU neighborhood policy Benita Ferrero-Waldner, and Richard Morningstar, all three of which attended the November 4th UEEC meeting. Radoslaw Sikorski, Poland’s foreign affairs minister also spoke at the Brookings event.

Another meeting of the UEEC occurred in Lisbon on November 19-20, 2010. In the Council’s Joint Statement was the following sentence: “We agreed to exchange expertise on environmental issues related to the utilization of unconventional gas resources, including shale gas, especially with a view to addressing the issue of public acceptability.”

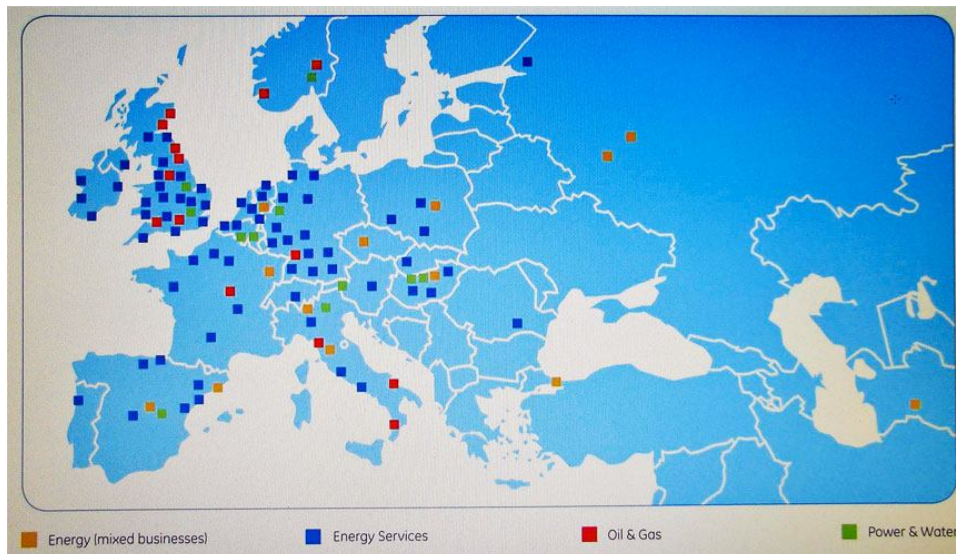
11-(13). The Supergrid

One of the Council's integrated purposes, not specifically defined in its mission statement, was in helping to pave the way for a Europe-Middle East-Asia-Africa energy supergrid. According to the website DERSTEC (www.DESERTEC.org), the idea of the supergrid emerged in 2003 from a group of scientists and businessmen. By late 2008, the European Commission was showing serious interest in this



concept, and on December 2, 2008 MIT's *Technology Review* published a piece on the supergrid concept. Various conceptual maps of the supergrid emerged. Six different categories of energy-based technologies or sources were defined: hydro power, wind power, bio-mass power, solar power, and photovoltaic power. As the emergence of shale gas advertised by the U.S. State Department came into play in Europe/Asia by 2010, the natural-gas-as-supergrid-power source emerged into the mix of technologies. The supergrid vision is undoubtedly a key factor in NATO's recent involvement in "liberating" Libya from dictator Gaddafi, as the grid necessitates the inclusion of Libya. Libya also has enormous untapped reserves of unconventional shales.

One of the major international energy-based corporations serious about this concept is GE (General Electric), which is an originating member of the U.S.-Poland Business Council. At a June 15, 2011 conference, *Renewable Energy - Prospects for the Polish-German Cooperation*, held at the Sheraton Hotel in Sopot, Pomerania, just north of Gdansk, on the edge of the Baltic Sea coastline, GE's digital energy account director Peter Knazko delivered a presentation, *The European Supergrid*. The powerpoint, marked "proprietary & confidential," is informative.

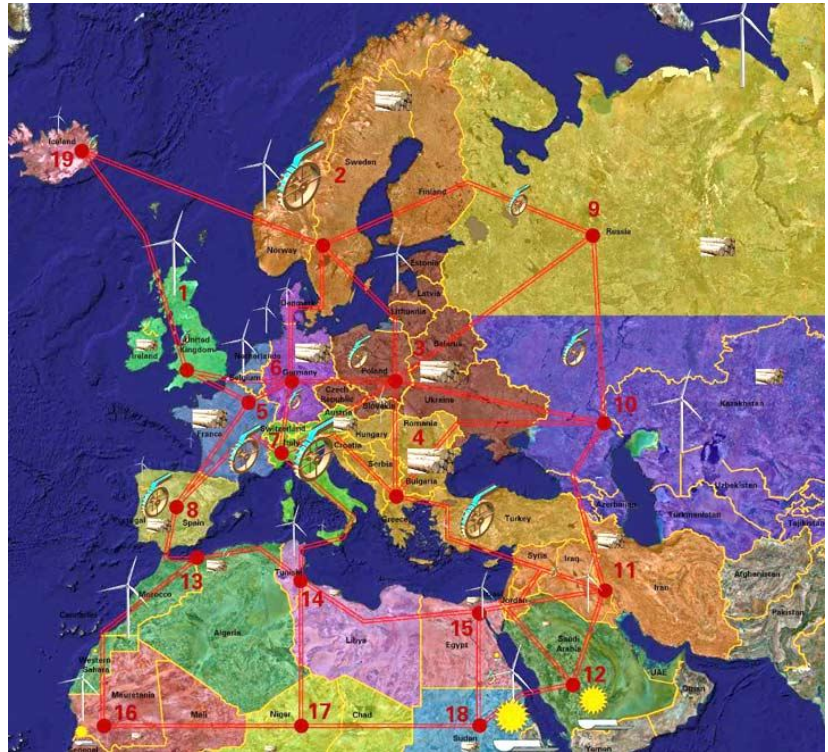


GE has "over 300,000 employees world-wide," and in 2010 generated \$150 billion in revenues. In Europe, GE Energy has 31,000 employees in three categories: Energy Services, Oil & Gas, and Power & Water.

Image presentation, showing GE's operations.

GE's corporate headquarters for Central and Eastern Europe is in Warsaw, Poland, with three other Poland-based offices in Kłodzko, Bielsko-Biala, and Łódź, where it employs 12,100 people, 2,000 of which are in its GE Energy department. In its evaluation of the new “electrical highway system” supergrid, is a target date of 2050, with “stimulus funding” from the *European Strategic Energy Technology Plan* and the *European Electricity Grid Initiative*. Knazko said that one of the components to “accomplishing” a supergrid would be in “**overcoming social, legal and financial barriers that exist today.**”

GE is also in the nuclear energy business. BusinessWire reported on July 27, 2011, *GE Hitachi Nuclear Expands Supplier Network in Poland as Government Prepares to Build First Nuclear Power Plants*: “With Poland evaluating two GE Hitachi Nuclear Energy (GEH) reactor models for the country's first nuclear power plants, GEH today announced it has signed a memorandum of understanding (MOU) with Warsaw-based engineering firm Energoprojekt Warszawa, S.A. (EW) to discuss the feasibility of partnering on future reactor projects.”



On September 10, 2011, at a pre-election OP Party conference in Warsaw where Donald Tusk gave a rallying speech, a Greenpeace activist pranced up to the stage area and waved a banner, “we want clean energy”. One of Tusk's security agents immediately ran up to the stage and took away the banner. Greenpeace later staged a few events at press conferences held by Tusk with banners concerned about nuclear energy proposals.

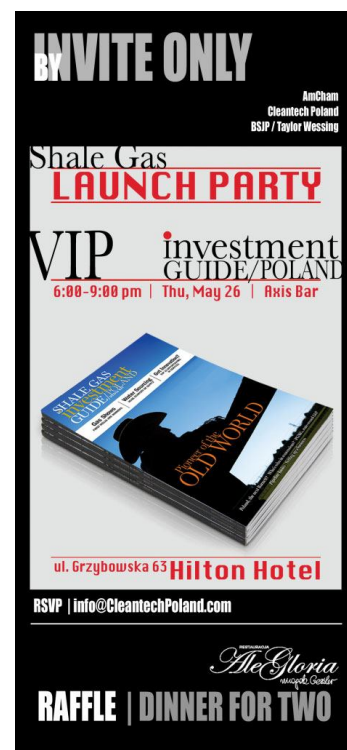
On May 30, 2011, an article by Gas&Fuels, *GE Natural Gas Plant ‘Will Help Meet Renewable Goals,’* was an announcement of a “first-of-its-kind” 510 MW natural gas power plant, FlexEfficiency 50, that was unveiled in Paris. “GE says the plant is the result of more than \$500 million of research and development investment,” and “uses a next-generation 9FB Gas Turbine that operates at 50 Hz, the most-used power frequency around the world.”

11-(14). May 31 - June 1, 2011 - One Month to the EU Presidency

The second annual *Shale Gas Results in Europe* conference was held in Warsaw on May 31 to June 1, 2011. **Cleantech Poland**, which had just launched its glossy *Shale Gas Investment Guide* for Poland (image to right), was handing out copies to conference delegates. Others in this “media” conference category included **Balkans.com**, the **Eurasia Energy Observer**, **GlobalData**, **Natural Gas for Europe**, **News Base** (unconventional oil and gas monitor), **Oil & Gas Eurasia**, the **Oil and Gas Magazine**, **OilVoice**, the **Petroleum Club Magazine**, the **Petroleum Economist** (headquartered in the U.K.), **Shale Daily**, **Upstream Online**, **Wiadomosci Naftowe i Gazownicze** (Polish oil and gas news), and **World Oils** (marketing company).

Conference chair Adrian Topham, from **Baker Hughes**, gave the introductions. On the first day Richard Scherer (**LNG Energy Ltd**) began by speaking on *Examining Shale Gas Development and how Learnings will be Incorporated into Driving Profitable Shale Gas Results in Poland*. Other speakers on the first day included representatives from **Realm Energy International**, **San Leon Energy**, the **Polish Geological Institute**, **Cuadrilla Resources**, **Geological Survey of Denmark & Greenland**, **CDM**, **EQT Production**, **Ukraine’s Ministry of Ecology & Natural Resources**, **DI International**, and **Statoil & Oxford Institute for Energy Studies**.

The second day, June 1, vice president of unconventional resource project with Weatherford International, Rob H. Gales, provided delegates with a “breakfast briefing” on *Shale Gas Results From Other Parts Of The World; Examining The Lessons Learned, What Can Be Applied To Europe And What Has To Be Done Differently*. The representative conference speakers for that day: **Baker Hughes**, **Weatherford International**, **Schlumberger**, **CDM Poland**, **Canadian Quantum**, London’s **Imperial College**, **Talisman Energy** (Keith Minnich, Talisman’s Water Sustainability Advisor, spoke on “the possibility of drinking water contamination”), and **Multi-Chem**. **Michael Schuetz**, the European Commission’s Directorate of General Energy’s Policy Officer for Indigenous Fossil Fuels, and **Malgorzata Szymanska** with Poland’s Ministry of Economy’s Head Natural Gas Division both spoke on *Understanding EU Energy Policy Relevant To Unconventional Gas & How The Ministry Of Economy Will Respond To An Increase In Production*.



Conference Website Advertisement

*In an environment where oil & gas events are frequently attracting between 50 and 90 delegates; the **Global Shale Gas Series** has increased it's attendance figures consistently through five conferences in the past year. Our initiatives have attracted between 200 delegates at the launch **Global Shale Gas Summit** in Warsaw, July 2010 to over 400 at the **Shale Gas Water Management Marcellus Initiative** in Pittsburgh in April 2011.*

The testimonials to the right are evidence of the unrivalled technical, strategic and networking quality provided in the Global Shale Series. See below, for the cost comparison of a two day conference:

Shale Gas Results In Europe 2011 currently charges: **\$1,170 (USD)**

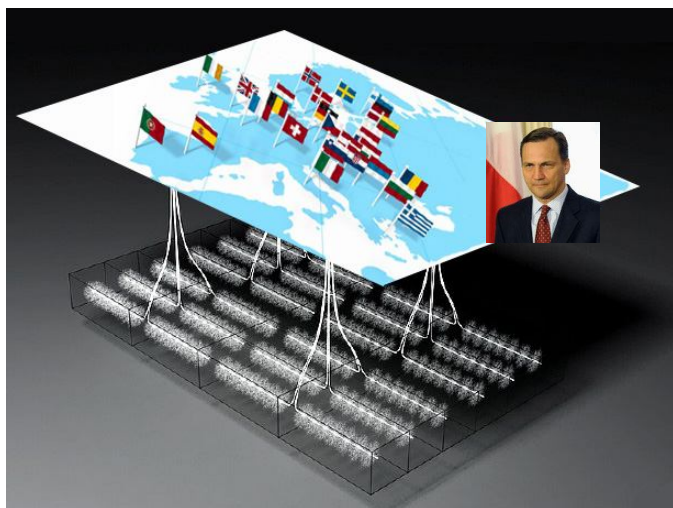
\$2,035: An unconventional gas conference in Paris, February 2011

\$2,421: A general unconventional summit being held in London. March 2011

\$2,604: A general shale gas conference being held in Warsaw, April 2011

The Global Shale Series offers greater multi-dimensional value, for a lower cost.

11-(15). The EU Presidency



1. PRIORITIES OF THE POLISH PRESIDENCY.

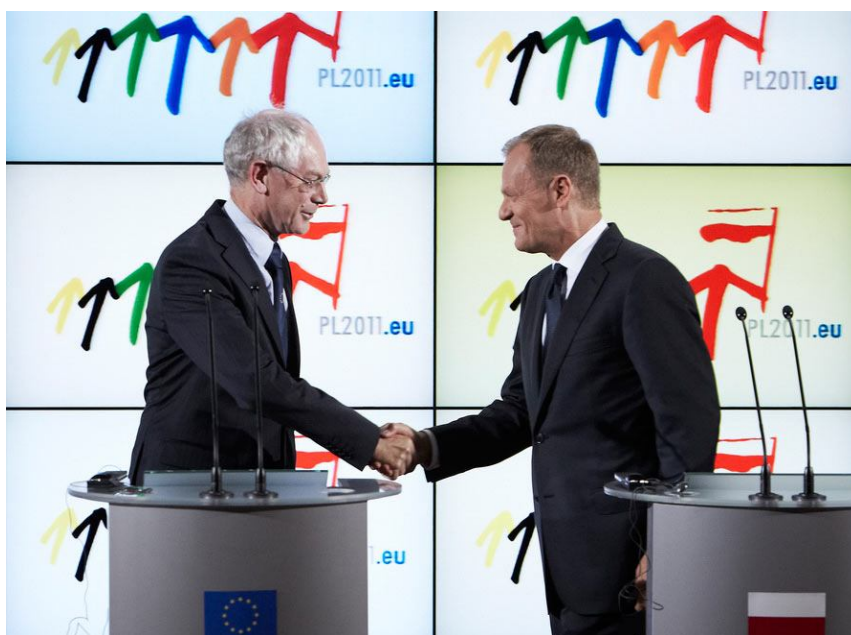
The first session was opened by the speech of Radosław SIKORSKI, Minister of Foreign Affairs of Poland.... Mr SIKORSKI argued that the priorities of the Polish presidency can be summarized in three clusters, namely boosting Europe's economy, strengthening its security and opening the Union to its neighbourhood..... Mr SIKORSKI stated that security has to be increased. In terms of energy security, shale gas could shield Europe from high gas and oil prices and diminish CO2 emissions.¹⁸

The rotating Presidency -- and especially a grand ceremony like this evening's -- also shows citizens in a very visible way that the Union is a collective work, taken care of by 27 equal partners. The European Union is not some machinery in Brussels producing directives or redistributing funds. No, the Union is a deeply political project: it embodies the common destiny of 27 states and 500 million citizens on our continent. Together we work on concrete proposals serving the prosperity and security of our citizens, together we face the future.

In Poland you know this very well. For you, membership of the European Union was the crowning of a long struggle for sovereignty and freedom.

During the difficult moments of history, your country never lost its confidence, its culture, its dignity, its own personality. The Polish people wanted to find its place back amongst the free nations of the world. So many uprisings for democracy and justice are witness to this, so many battles for freedom and solidarity. These moments defined your country.

Ultimately, in 1989, they sealed the beginning of the end of the Cold War. They opened a new era for Europe as a whole. And we are all thankful for that. Since then, Poland has transformed itself into a democratic, modern and prosperous country.



¹⁸ TEPSA Pre-Presidency Conference Report - *Priorities of the Polish Presidency of the European Union*, College of Europe, Natolin Campus, Warsaw, June 30 - July 1, 2011.



For all these reasons, all other Europeans -- from Finland to Portugal and from Ireland to Cyprus -- are proud that the Polish are a member of the European family, that you bring this experience and this courage to our common adventure. And I can assure you, with all the challenges we face, both internally and externally, that chairing the EU Council will give you ample excellent opportunities to show these qualities to Europe as a whole!

That is why I want to wish the Polish Prime Minister and his government the best of luck for the upcoming six months! Together, we will work on more Europe.¹⁹



¹⁹ Speech by Herman Van Rompuy, President of the European Council, at the opening ceremony of the Polish Presidency of the Council of the European Union, July 1, 2011.

12. OPERATION SYNERGY: FRACKING THE WORLD, POISONING OUR MINDS AND HEARTS - the Emerging Global Dilemma of Petroleum Sponsored Strategic Messaging

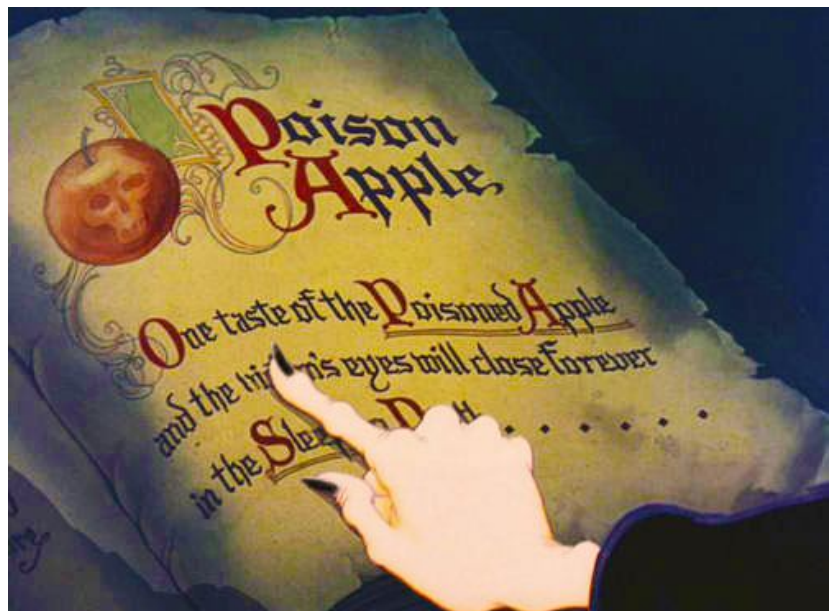


*Marek Karabula, vice-president of the Polish Oil and Gas Company (PGNiG), used a technical term from shale gas development, saying that there was a need to “**crack the minds of people**” with respect to shale gas.¹*

Historians, political scientists, sociologists and investigative researchers will look back at the Hydrocarbon Era and acknowledge that the period of pushing global unconventional shale fracking was unprecedented in the privateers' thirst and lust for hydrocarbons. Due to the damaging,

contentious and intensive nature of this unconventional fracking period upon the earth and human societies by energy companies out to scrape the bottom of the proverbial hydrocarbon barrel, they will unravel both the psychological warfare component unleashed by the petroleum conglomerate upon societies to approval-implement the extraction of natural gas and oil, and the complex strategies in which governments were infiltrated, controlled and influenced to do so.

As citizens and societies around the world wrestle with the onslaught of shale gas dilemmas, they must inevitably battle with another emerging monster: the sleazy realms of public relations and synergizing. The forecast intensity of this integrated public messaging - anchored by an arsenal of wealthy petroleum pockets - is meant to numb the world to hypnotic acceptance, in part, of a new unprecedented order, the assault on unconventional (shallow and deep) shale energy resources and our diverse philosophies. A twisted diversified human energy created in order to tap another energy.



¹ *Poland takes lead as EU's shale gas promoter*, published by EurActiv.com, May 9, 2011, commenting on the May 6th shale gas conference in Brussels.

12-(1). Back at the Ranch: The Leaked Alberta Ministry Fracking Briefing Note and the Public Relations Messaging Agenda about Fracking

A leaked copy of an internal August 3, 2011 Alberta ministerial briefing note and a directive document called *New West Partnership Collaboration and Information Sharing, Industry Water Use and Hydraulic Fracture Technology Project Charter*, were sent in a plain brown envelope to Alberta's two sole opposition-New Democratic Party elected parliament members and to the Alberta Federation of Labour, which they received around August 10, 2011.² It was a fortuitous thing someone leaked the documents, because it helped draw attention to a number of critical and intriguing issues surfacing within western Canada, including a thematic connection to an upcoming petroleum industry conference on fracking in late September, 2011 in Calgary, the headquarter hub and capital of Canada's petro state.



According to the leaked documents, three representatives from the **Canadian Association of Petroleum Producers (CAPP)**, a very prominent and powerful national lobby group, participated in a number of secret energy meetings in mid-2011. The meetings were coordinated by three Energy Ministries from the western Canadian provinces of Saskatchewan, Alberta and British Columbia concerning the development of unconventional shale resources for gas and oil. Through the recommendations of the CAPP members, the inter-government *Water and Technology Collaboration Working Group* advised the government of Alberta³ to develop tax-payer funded public relations/advertisement schemes to 'rapidly develop' shale gas developments in western Canada on behalf of the petroleum industry. The recommendations were based on CAPP's concerns claiming, in the leaked documents, that environmental ENGO's were misdirecting the public:

*Stated in the **Project Charter**, the proposal to “enhance communication of stakeholders and the public with consistent water use messages” is apparently based on “misinformation in the public media and communities facing shale gas development pressure” and “environmental ENGOs supporting a ill-informed campaign on hydraulic fracturing and water related issues in **British Columbia and other jurisdictions**.”⁴*

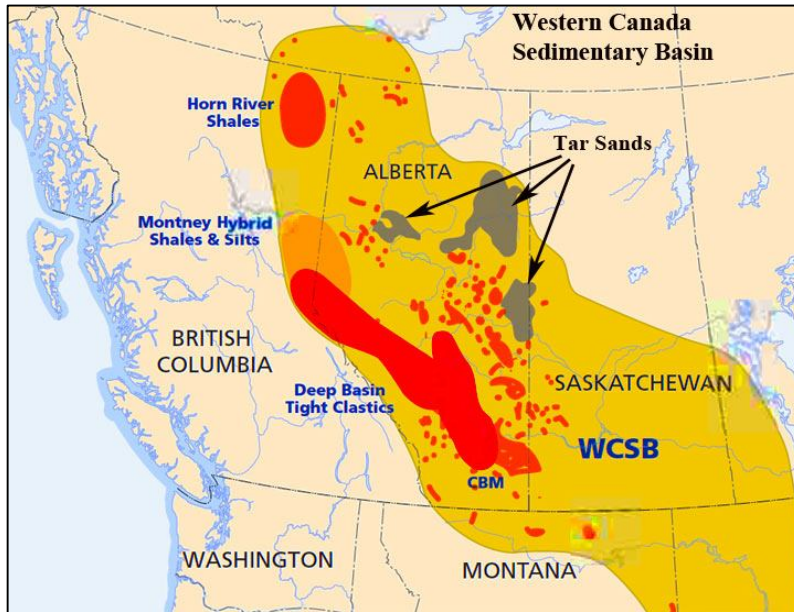
Two of the three identified CAPP representatives were from **Encana Corporation: Richard Dunn**, vice-president of regulatory and external relations, Encana's registered provincial and federal lobbyist; and **Lara Conrad**, Encana's regulatory & government relations team leader. Ottawa City's Hill Times reported Richard Dunn's role and prominence as a federal government lobbyist has a “key voice in shaping the debate about Canada's environment and climate change strategy”.

² See Appendix , for the September 6, 2011 B.C. Tap Water Alliance news release, *Western Canadian Energy Ministries “Collaborate” in Secret with Influential Petroleum Cartel on Development of Controversial Fracking Policies*. The news release includes a link to a background document.

³ The other two Briefing Notes for British Columbia and Saskatchewan have not been seen or reported on, and assumedly they include the same or similar recommendations stated in the Alberta Briefing Note.

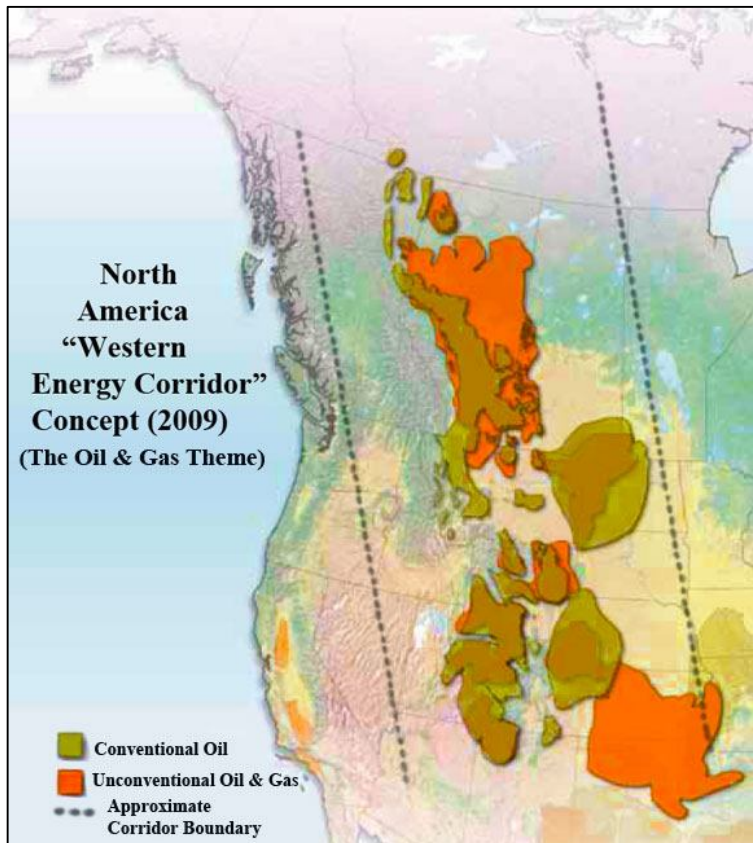
⁴ B.C. Tap Water Alliance September 6, 2011 news release.

The other CAPP representative was **Christa Seaman**, a registered political lobbyist for both **Canadian Natural Resources Limited** and **Shell Canada**.



The *Water and Technology Collaboration Working Group* was created under a gathering of initiatives from the *New West Partnership* agreement between the three western Provinces. The agreement sets into motion a number of deregulatory and streamlining directives. Lobbying efforts from big business and allied

politicians have so far failed to entice other Provinces, like Manitoba, to join in with the new game plan, one which includes seriously challenging and disrupting environmental and public interest legislations in two of the three partners, British Columbia and Saskatchewan. As described in the previous chapter, the petroleum sector has over the last three years influenced Alberta's Conservative Party legislators to decimate public and land rights in Alberta through some of the most reprehensible legislation ever witnessed in Canada, if not in the western world. The aim, most likely, through the New West Partnership, is to create an inter-provincial sympathetic administration and thereby disrupt and Alberta-harmonize the legislative frameworks of other provincial jurisdictions: "western separatism" redefined by petro politics concerning the geologic borders of the



Western Sedimentary Basin common to the three provincial jurisdictions. In a very real sense the New West Partnership could be nicknamed *The New Western Sedimentary Basin Partnership*. And, it is possibly part of a bigger plan, the 2009 integrated concept of a U.S.-Canadian *Western Energy Corridor*.

12-(2). September 21-22, 2011 Calgary “Water” Conference and the Synergy Shadow

Though the title of the September 21-22, 2011 conference, *Determining the Optimal Strategies for Managing Water Resources Used for Shale Gas Production in the Montney, Horn River & Beyond*, held in Calgary, Alberta, had the impression of sounding like another ho-hum fracking meeting, the discussion of controversial issues related to fracking and what to do about controlling the public were anything but. The Montney and Horn River fracking zones are located in northeast British Columbia (B.C.).

The issue of voluminous fresh water use and its toxification, treatment and disposal in fracking of unconventional shales for gas and oil (among other serious cumulative environmental effect issues not addressed at the conference) was beginning to get serious attention in water-rich B.C., lagging behind the public attention it was getting in the United States and in eastern Canada. The inattention was primarily related to the remoteness of B.C.’s fracking fields from the larger population and urban centres in southern B.C., the lack of attention by environmental-based organizations and conscientious researchers on petroleum energy issues, and the lack of corresponding investigative, in-depth independent reporting by the media. In the drier petro state, Albertans’ problems were of a different nature, some of which had to do with its populace being subjected to years of ‘synergy’ or ‘synergizing’ operations by the petroleum sector, strategic sheep herding efforts that helped muffle and stifle public concerns and opposition applied and developed since the early 1990s.



Most of the two-day Calgary conference was devoted to technical and policy themes of water use by the frackers in western Canada. CAPP’s vice president of policy and environment **Tom Huffaker** led a session on *Shale Gas Water Strategy* during the first afternoon. The conference biography on Huffaker states that before his assignment to CAPP in March 2009: “he was a **United States Foreign Service Officer** for 23 years;” “from 2006-2009 he was **U.S. Consul General in Calgary;**” and was assigned previous duties in “Moscow, Ottawa, Belgrade, Mumbai and Washington D.C.,” where he “focused on energy and environment policy and transition economies.” It also states that Huffaker’s other responsibilities include being a director of the right wing think tank **Canada West Foundation** and of the **Petroleum HR Council of Canada**. According to the conference description on Huffaker’s panel discussion, CAPP, heavily funded and influenced by Encana Corporation, shows its “commitment to responsible water use”, by “addressing stakeholder concerns regarding the protection of surface and groundwater quality & quantity,” by “addressing stakeholder concerns regarding preserving the integrity of the surface water environment/ ecosystem.” The irony of CAPP’s program-worded intentions was that the government of Alberta had largely removed “public interest” rights from within its four far corners in recent anti-democratic legislations. What did or could Alberta possibly matter to CAPP in this context in which it had invested years of efforts and funds to pacify and numb the public? Was Alberta largely a foregone conclusion? It’s concerns lay with the other two provincial jurisdictions, B.C. and Saskatchewan, CAPP’s next big chess move, jurisdictions which lie within and share the Western Sedimentary fracking Basin.

At least Alberta’s western neighbour B.C. Minister of Energy, Rich Coleman, came through for one of CAPP’s member corporations, **Talisman Energy**, and **Canbriam Energy** (not a registered member of CAPP), by granting them a 20-year water withdrawal license of 7.3 billion combined litres annually without conducting a public review process which the Minister promised to do in B.C.’s Legislature on April 30, 2011. That shameful incident was reported on by Global national television on November 5, 2011, *Untested Science*. Although it promised Global television an



interview at its headquarters in Calgary, Talisman later refused to be interviewed about the scandal. After the television broadcast, the B.C. Tap Water Alliance issued a press release on November 7th calling for Coleman's resignation. And, the almost free water diversion license gifted to the two energy corporations was one of the last services that former Canfor corporation chief forester **Alex Ferguson** accomplished as the Commissioner of the B.C. Oil and Gas Commission before he jumped ship to work

for **Apache Canada** in Calgary, the corporation which is in a fracking partnership with Encana in the Horn River Basin in northeast B.C. With regard to the Talisman/Canbriam scandal, it put a serious wrinkle on CAPP's and Huffaker's integrity on "addressing stakeholder concerns."

Talisman's manager of global environmental affairs/regulatory compliance manager, **Pam Sbar**, was on the conference's concluding panel presentation, *Determining Strategies for how the Canadian Shale Gas Industry can Work Together to Better Communicate with the Public to Minimize Concern over Groundwater Contamination*. The conference biography states that Sbar had served with the Environmental Protection Agency (EPA) in the United States in the hazardous waste regulatory enforcement program, and was "in-house counsel for the Atlantic Richfield Company." The two other panel members were **Tamboran Global Resources** ceo **Richard Moorman**, and **Kevin Heffernan**, the vice president of **CSUG** or **Canadian Society of Unconventional Gas** (since renamed as **Canadian Society of Unconventional Resources, CSUR**). Moorman's biography states that before his appointment to Australian-based Tamboran, he was manager of "strategic analysis in the economic planning and acquisitions division of Southwestern Energy, a public US-based independent shale gas company." Prior, Moorman was vice president of corporate development at Leor Energy "a private US-based unconventional natural gas explorer in the Deep Bossier trend of East Texas," a company "sold to Encana in 2007."

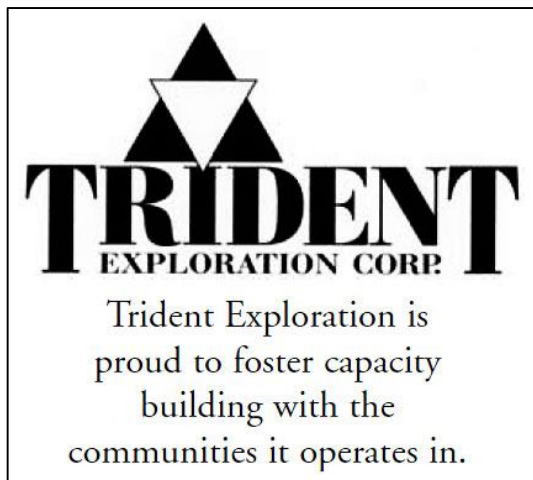
Un-coincidentally, the theme of 'managing the public' by the fracking fraternity was not the only unconventional conference to do so in September 2011. Two other conferences held half way across the world in the Northern Hemisphere in Krakow, Poland were devoted to the problem and application of public relations. The only scheduled Canadian speaker on the first Krakow conference was **Encana's** lead public relations enforcer and political schmoozer, **Richard Dunn**, one of three panellists addressing *Business / Local Communities / Governments* (see 12-(9), below).

12-(3). Heffernan and Trident

The intrigue about the last panel discussion in Calgary on September 22nd on "how to better communicate with the public" was Kevin Heffernan's participation. His conference biography states that prior to his September 9, 2008 appointment as CSUR's vice president he:

was Director, Government and Regulatory, at a private company developing unconventional gas resources including coalbed methane, tight sand and shale gas in western Canada. During his tenure with the company he also held management positions with various responsibilities, including environment and stakeholder engagement, as the company grew from start-up in 2001 to more than 1,000 unconventional gas wells in 2008.

Though the biography continued by revealing his previous employment with **Nova Gas Transmission** from 1990-2000 (renamed as **TransCanada Pipelines**), it skirted identifying the name of the corporation he was a government and regulatory director of from 2001-2008. Why did the conference biography specifically avoid mentioning **Trident Resources Corp.** / **Trident Exploration Corp.**? Too sensitive or a hot-button issue? Too many ogres at the door?



Trident had filed for creditor and bankruptcy proceedings with the Alberta Court in Calgary on September 9, 2009.⁵ It was one of the early companies to strategically acquire assets and develop Alberta's unconventional coalbed methane (CBM) from 2001 following through partnerships and farm-ins with **Nexen** and **Husky**, with significant share purchase and board membership by **Red Willows**, owned by a native American company with the Ute Tribe.⁶ Trident also acquired shale gas holdings in British Columbia and had a partnership agreement with **Encana** (Encana bought out **Kerogen Resources**).

Trident included an organization diagram of company and affiliates ownership to the court in president and ceo Todd A. Dillabough's lengthy affidavit of September 8, 2009. It is/was composed of the following entities registered in both Canada and the U.S.A.: **(TEC) Trident Exploration Corp. ULC (USA)**; Fort Energy Corp. ULC; Fenenergy Corp. ULC; 981384 Alberta Ltd.; 981405 Albert Ltd.; 981422 Alberta Ltd.; **(TRC) Trident Resources Corp.**; Trident CBM Corp.; Aurora Energy LLC; NexGen Energy Canada Inc.; Trident USA Corp. It's CBM operations were spread over three jurisdictions: the province of Alberta, Washington and Oregon States.

*Trident's business was founded in 2000 with the acquisition of certain working interests in lands in Alberta and British Columbia. TRC's primary subsidiary, TEC, was formed in September, 2001 and capitalized in October, 2001 when the then-owners of certain working interests contributed their interests in exchange for common and preferred shares of TEC. At the end of 2003, Trident recorded its first **Horseshoe Canyon** proved CBM reserves. It booked its first **Mannville** proved CBM reserves at year end 2004, and in July, 2005, it announced the commerciality of the Corbett project in the Mannville play. This was the first commercial Mannville CBM field on the trend in Canada and remains the largest producing field developed to date. In mid-2009, Trident achieved a significant drilling milestone having operated the drilling of greater than 900,000 metres (or 3,000,000 feet) of horizontal and multi-lateral horizontal drilling in the first commercial Mannville CBM field in Canada. Currently, Trident targets CBM in its core producing areas in the Mannville and Horseshoe Canyon CBM plays in Alberta. In 2009, development in the emerging Montney Shale play in British Columbia has become a more significant portion of Trident's capital expenditures program. Trident also has an ownership in certain exploratory land positions in the Northwestern United States.*

TEC is the largest producer of natural gas in the Mannville formation in Central Alberta,

⁵ All of the court documents are found at: <http://cfcanada.fticonsulting.com/trident/motions.htm>

⁶ Trident bought out Red Willow's assets in October 2005 for \$175 million (U.S.).

*wherein it has leasehold acreage of over 551,000 acres acquired through joint venture earnings, farm-ins, and Crown land purchases. TEC operates greater than 70% of the total producing Mannville CBM assets in Canada, which comprises about 58% of Trident's average daily net production for the second quarter of 2009.... TEC operates the majority of its currently developed interests in the Mannville CBM play through its joint venture with **Nexen Inc.**.... TEC operates five gas processing plants, in which it holds an average 67% ownership interest, in the Greater Corbett Creek area.*

*Trident is one of the five largest producers of natural gas in the Horseshoe Canyon CBM play. This play is currently the most successful commercial CBM play in the WCSB (Western Canada Sedimentary Basin). The majority of these lands were acquired through joint venture earning with **Husky Oil Operations Limited**. Production from the Horseshoe Canyon play accounted for approximately 42% of Trident's average daily net production for the second quarter of 2009. TEC has been active in the Horseshoe Canyon CBM project since 2002.*

TEC acquired the majority of its interest in the Horseshoe Canyon CBM play through a participation and farm out agreement with Husky Oil Operations Limited. TEC is presently preparing applications for approval from the Alberta Energy Resources Conservation Board ("ERCB") to down space from four to eight wells per section, on approximately 475 sections of land in this play, which would increase the current approved 400 drilling locations to a total of approximately 1,500 evaluated drilling locations. In the Horseshoe Canyon CBM play, TEC has an approximate 55% ownership interest in 11 processing plants and operates six of them.

*TEC (through its various subsidiaries and affiliates) owns and operates a land block with a 70% working interest in the heart of the emerging Montney Shale gas trend, which stretches from Northeast British Columbia into Northwest Alberta. This was acquired by Trident in 2006. The use of new techniques has recently resulted in production opportunities that were previously unavailable. In 2008 TEC entered into an exploratory joint venture with **Kerogen Resources Canada, ULC**, since purchased by **Encana Corp.**, to work these lands under a joint operating agreement.*

Trident, through Trident USA, also owns significant natural gas and oil interests in the Columbia River Basin area, which encompasses a thick basalt-capped sedimentary basin on the southern border of Washington with Oregon, and the Snake River Basin area, an inter-bedded sedimentary and basalt basin on Oregon's eastern border with Idaho. Each of these areas is generally characterized as being exploratory in nature.⁷

Trident reported that it had borrowed \$770 million, "granted by a syndicate of U.S. lenders", and another \$130 million from Canadian creditors, and had a "trade debt estimated at \$34.4 million as of August 31, 2009." In section 43 of Dillabough's affidavit, he reported that **the company incurred debts of \$1.2563 billion** (Canadian funds). According to accounts in the business media, Trident's problems were due to the low price of natural gas. The affidavit stated: "over the past 15 months, natural gas spot market prices have been extremely volatile, reaching \$11.96/mcf (CDN) in July 2008 and dropping to \$ 1. 89/mcf (CDN) on September 3, 2009, a range of \$10.07 or over 500% of recent levels. The average price for the first 6 months of 2009 is \$4.22/mcf (CDN)."

⁷ Todd A. Dillabough affidavit, sections 12-26, September 8, 2009. Court registry No. 0901-12483.

*Trident has forecasted that, as a result of the decline in gas prices and the fluctuations in currency exchange rates, among other factors beyond its control, it risks being in default of its PV -10 ratio under TEC Second Lien Credit Agreement and will be exposed to acceleration of the total debt under its credit facilities. In addition, the global economic crisis and the sharp drop of the price of natural gas has had a substantial negative impact on Trident's ability to generate revenue and maintain a consolidated EBITDA level consistent with the leverage ratio (the "Leverage Ratio") mandated by the TEC Second Lien Credit Agreement and the TRC 2006 Credit Agreement.*⁸

 Office of the Commissioner of Lobbying of Canada Commissariat au lobbying du Canada	
Organization:	Canadian Society for Unconventional Gas
Responsible Officer:	Mr. F. Michael Dawson
Position Title:	President
Organization's membership or classes of membership:	
Petroleum focused producing and service sector companies. We have approximately 100 member companies. Ninety percent of which are oil and gas producer members and the remainder service companies.	
List of Government Funding	
Government Institution	Funding Received in Last Financial Year
Government of Alberta	\$61,000.00
B. Lobbyists Employed by the Organization	
Name:	Kevin Heffernan
Position title:	Vice President
	
C. Lobbying Activity Information	
Federal departments or organizations which have been or will be communicated with during the course of the undertaking:	Environment Canada (EC), Finance Canada (FIN), Health Canada (HC), Industry Canada (IC), National Energy Board (NEB), Natural Resources Canada (NRCan), Prime Minister's Office (PMO), Senate of Canada, Transport Canada (TC)

Kevin Heffernan departed from TransCanada Pipelines and joined Trident in 2001 where he became its regulatory, environmental and governmental relations director during the controversial, turmoil-laden, carpet bombing boom years of unconventional CBM fracking in Alberta. As a professional geologist, Heffernan expanded his portfolio by entering the political arena and became a negotiator of sorts - he met with government regulators, government officials, and the public. His involvement continued beyond his corporation's domain, and into his professional association's politicking, where he also became a registered federal

lobbyist for the Canadian Society for Unconventional Resources, or CSUR (formerly CSUG). There were a number of other players like him who were directors or managers of other corporations, some of whom, like Michael Gatens with Quicksilver Resources (who formed another company, **Unconventional Gas Resources**), would take on prominent political roles over the next ten years in promoting the extensive development of unconventional CBM and shales in Alberta and throughout Canada. For the petroleum sector operating in Alberta alone, in the early CBM days there was a lot to accomplish in modifying legislations, regulations and the public in preparation for its intensive and extensive carpet bombing plans.

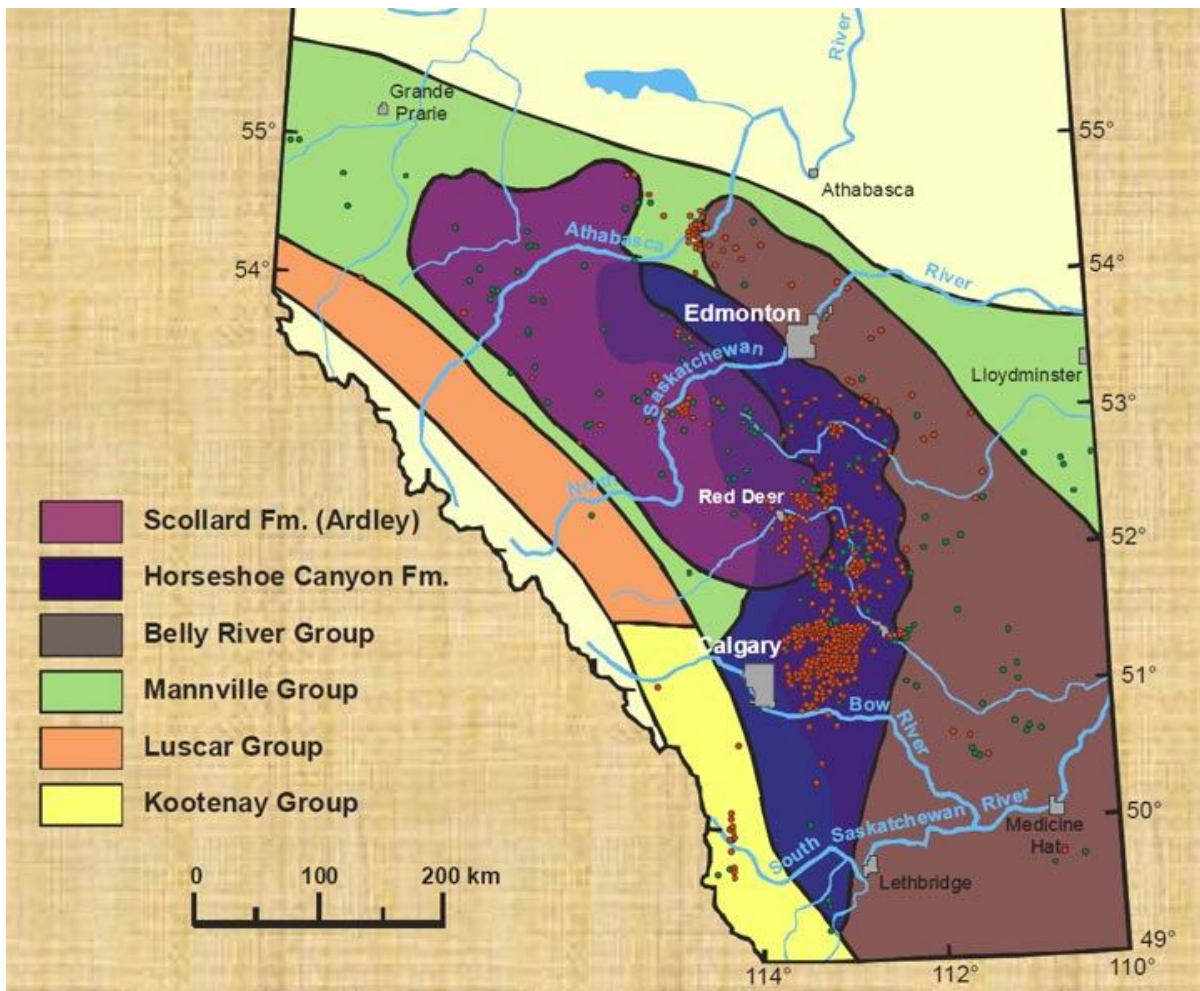
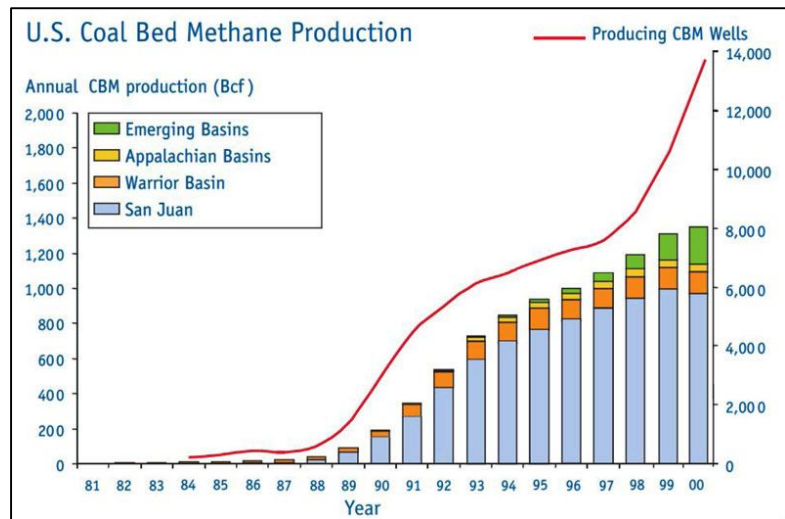
As the Alberta CBM frackers set up shop in 2000-2002, they joined forces to strategize on how to develop a public relations strategy on their biggest obstacle: how to manage and control the landowners who were going to be effected by thousands and thousands of wells about to be developed over the next fifty or more years. The commercial developments related to CBM had been evolving in the United States since the mid-1980s, where some ten thousand wells had been drilled and fracked by the end of 1998. U.S. Energy companies had amassed years of reports,

⁸ Ibid., sections 62-63.

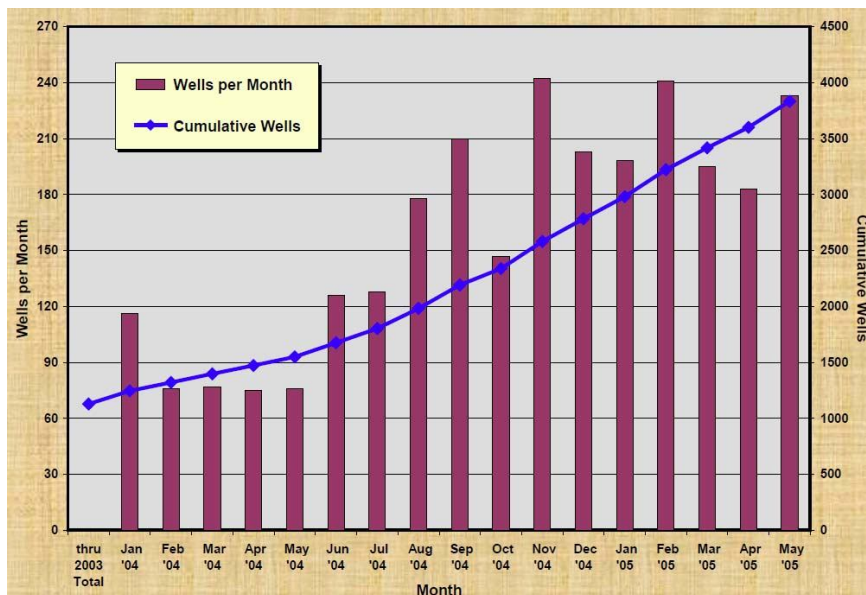
correspondence and internal legal records on landowner and environmental conflicts and disputes concerning CBM. They also negotiated an unknown number of confidentiality agreements with

landowners concerning the ruination of drinking well water sources and related matters, one of the primary reasons why the George W. Bush/Dick Cheney administration later passed the Halliburton Loop-Hole in 2005, the fracking exemption from the *Safe Drinking and Clean Water Acts*. All of that background noise, baggage and public relations expertise was marching northward across the 49th Parallel into Alberta. The National Energy Board reported at the time that Canada's

conventional gas reserves were in decline, and the CBM frackers arrived just in time to save Canada's methane future. Unfortunately, provincial and federal agencies had not been promoting the conservation of Canada's fossil gas fuels, and heralded the new CBM sapling into the capitalism fold.



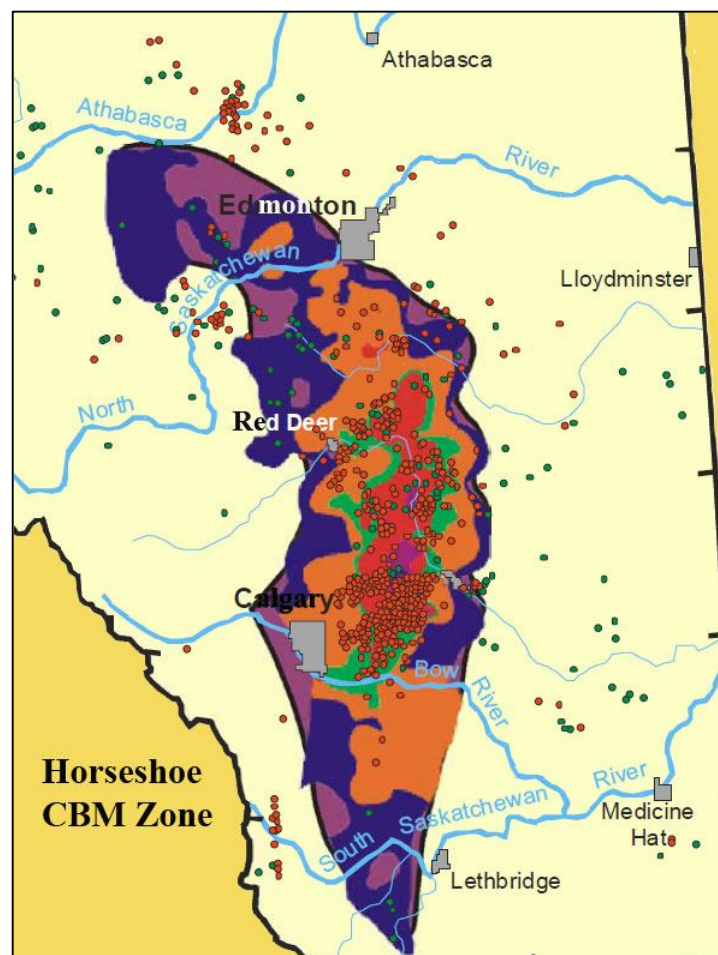
The coalbed methane, coal zones of Alberta.



By the end of 2004, during the initiation of the CBM era in Alberta, the frackers drilled about 3,500 wells over a three year period. These were the first such commercial developments in Canada. Alberta landowners, much like landowners for years previous in the U.S., became distraught and vexed by the cumulative onslaught - the manifold activities, developments and operations on their lands, and impacts on their aquifers - and demanded the government deal with

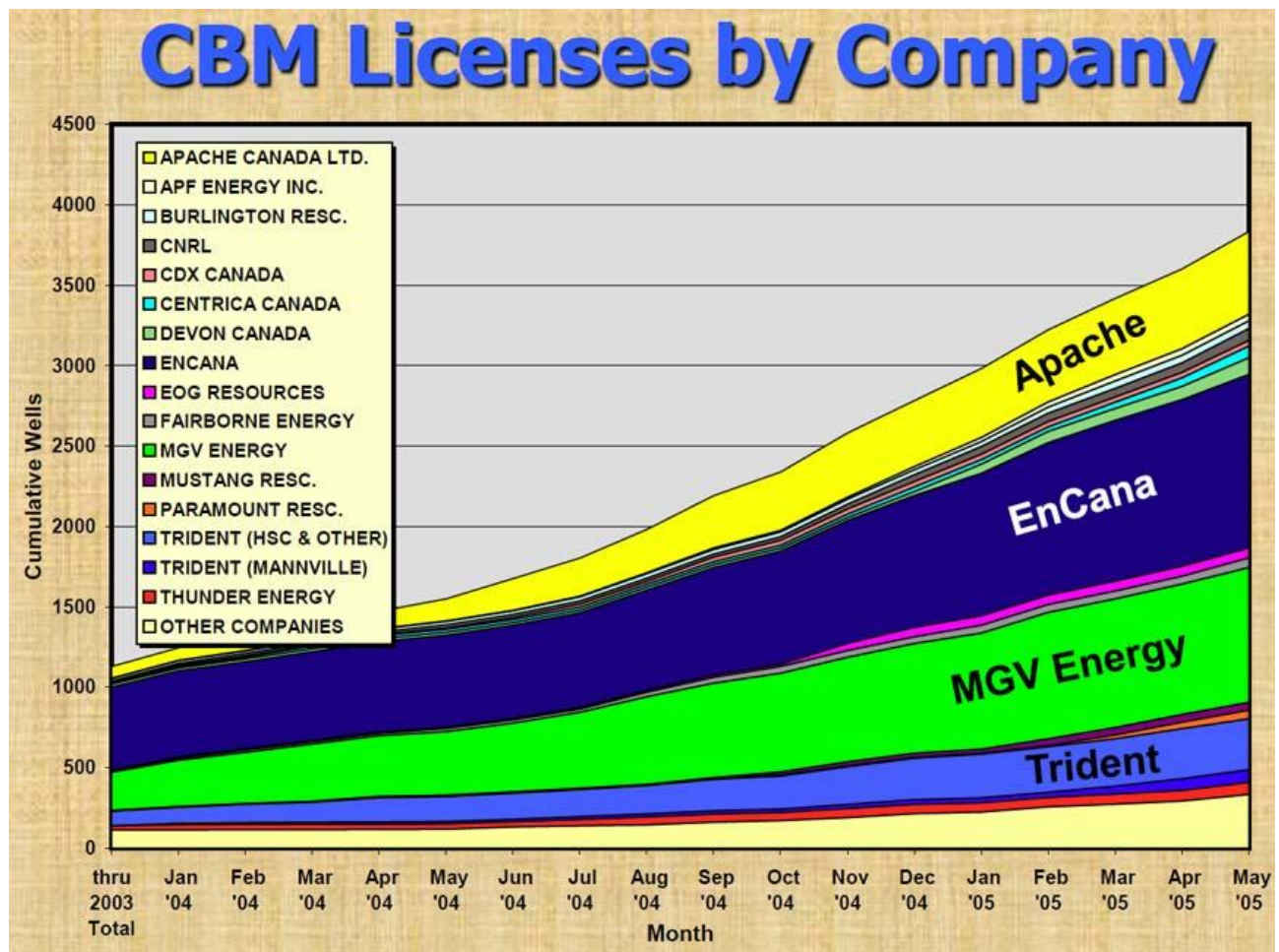
their concerns. Unfortunately, Alberta's mining laws, as with most mining laws in other North American state and provincial jurisdictions, grant many sub-surface use rights to state administrations and corporations, often making landowners little more than surface occupants. Other landowners, tempted by profits, welcomed the new source of revenues offered by the professional landmen and energy companies. 2,500 wells were drilled in 2004 alone, and some 3,000 more wells were going to be drilled in 2005.

Following internal stakeholder meetings with landowners and NGO representatives who had to sign confidentiality agreements (see MAC meetings below), Alberta's Canadian Energy Research Institute (CERI, formed in 1975) released a report in November 2006, *Socio-Economic Impact of Horseshoe Canyon Coalbed Methane Development in Alberta*. The report was produced when EUB chair Neil McCrank served on CERI's executive. It was a long-term forecast of CBM development in Alberta, based on data collected from the Horseshoe Canyon coals, one of Alberta's five CBM zones. Trident's Heffernan was acknowledged as one of the report's contributors, who provided the report's steering committee with data on Alberta's Mannville coals.



The report noted that by the end of 2005, "there were about 7,764 CBM wells in Alberta," 96 percent of which were in the Horseshoe Canyon

coal zone, and that the joint venture between **Encana** (previously, PanCanadian) and **Quicksilver Resources Canada** (previously, MGV Energy Inc. - MGV = Mike Gatens Ventures) was responsible for initiating the “CBM exploration program in Alberta.” In 2001, these partners drilled the first CBM experimental wells northeast of Calgary near the hamlet of Rosebud where Jessica Ernst - who later launched a \$33 million lawsuit against Encana and the ERCB - has her property. The energy partners were not only experimenting with the gas below ground, but also experimenting with the human zone above ground - landowners, community and County officials - drilling and fracking two domains simultaneously. The shifty frackers were collecting data on methane molecule potential and on the psychology of rural Albertans.



The CERI report said that about half of the CBM wells expected to be drilled over an area of 31,854 sections of land (20.4 million acres, or 8.26 million hectares) would be developed in the first CBM phase “under current economic conditions.” Depending on the depth of the CBM drilling, the report said that the development footprint could vary between 2 to 8 wells per section of land, and that the projected numbers of CBM gas wells drilled annually could vary between a staggering 2,500 to 5,000. CERI estimated that the projected investments by the petroleum industry in the Horseshoe Canyon CBM zone alone were about \$10 billion, one tenth the total investments made in the Tar Sands within the “2000 to 2020 time frame.” If everything was developed accordingly, the Horseshoe Canyon was projected to run out of gas by the year 2065, during which time, and depending on the market price of natural gas, the petroleum sector would walk away with eight to ten or more times their investments in total profits.

The 50-page report devoted one mere, vague and pathetic sentence (highlighted in bold lettering below) to the concerns of Alberta's landowners in its so-called "socio-economic" analysis, with nothing

whatsoever referenced or discussed concerning the cumulative impacts to lands and water:



*Another significant difference between the oil sands and the HC (Horseshoe Canyon) CBM development is the size of the geographical area being impacted. The oil sands are being developed in a relatively small area, with comparatively intense activity in the Ft. McMurray region. The HC development covers a much larger area, over 15,000 square miles, from south of Calgary to Edmonton in south central Alberta (see Figure 2.1). The intensity of this HC development is similar to that of the earlier shallow gas development in southeast Alberta, with more than 1 well per section. This is much less intense than oil sands, but in many cases, more than was previously experienced for conventional gas development in the affected region. As a result, **stakeholders in this large development area are often unaccustomed to this type and level of activity and significant stakeholder interest and involvement is accompanying this development.***

Following some three years of sporadic private talk-and-frack stakeholder meetings and many external public complaints to the government, the report's focus was only on jobs, revenues, royalties and the GDP, not on the severe and degrading impacts the CBM carpet bombing plan would have on Alberta's groundwaters, the environment, and on landowners, and who would end up paying for the future mess. And CERI's projections would ultimately influence the ever-more, petroleum industry-controlled ERCB to approve an amendment that evicted provincial well-spacing regulations the day before Alberta's new Premier, Allison Redford, was sworn into office on October 7, 2011. In other words, the spacing formula of 2 - 8 wells per section of land forecast in CERI's report could be increased without limitations and be unfettered, thereby reaping even more profits to the frackers. There were no protests in front of Alberta's legislature after the ERCB's reprehensible amendment, a clear indication of how well the sheep were happily grazing in the petro pen.

12-(4). Hanky McCranky Panky and the Synergy Love-In

How did the petro government of Alberta, mantra-mandated to purportedly serve "the (never defined) public interest," respond to the public's fears and concerns when the CBM developments were just getting underway? In early 2002, the ERCB (formerly EUB, Alberta Energy and Utilities Board) became a strategic partner with the petroleum sector to influence and control landowners/public through the initiation of something called **Synergy Alberta**.





In 2002, EUB Chairman Neil McCrank articulated his vision for a “fundamental cultural shift” grounded in relationships and improved communications among the active players of Alberta’s energy industry: the public, the energy companies, and the EUB.

MAKING SYNERGY REAL

What happens if 250 people from communities, oil and gas companies, and the EUB come together for two days to talk about energy development challenges in their local areas? Synergy happens!



In February 2002, the EUB, the Canadian Association of Petroleum Producers, and Alberta synergy groups joined forces and resources in Making Synergy Real. Twenty-eight multistakeholder groups of an estimated fifty active in the province met for the first time to share stories, tips, and best practices. Their focus was on the process of building relationships.

Synergy groups are made up of the public, industry, and government representatives to collaboratively address local issues and improve communication.



Collection of images and cut outs from the ERCB’s (formerly, EUB) annual report of 2002, and the Alberta Synergy conferences of 2002 and 2003, with the synergy logo to left. 2002 marks a new shift in ‘open’ government and petroleum industry collaboration to ‘manage’ the public with the *Synergy Alberta* formula.

Synergy Groups: A Model for Industry and Community Working Together

Ray Woods, Senior Operating Officer, Resources, Shell Canada Limited, Chairman, Canadian Association of Petroleum Producers (CAPP)

In the EUB's 2002 annual report, *Working for Albertans, 2002 Year-End Review*, were numerous pages on the EUB's accountability to the public and to the environment, and a section called *Inspiring Public Confidence Through Mutual Learning*. In it, EUB chair Neil McCrank announced his "vision for a **"fundamental cultural shift"** grounded in relationships and improved communications among the active players of Alberta's energy industry: the public, the energy companies, and the EUB." McCrank's "vision" was the beginning of a perilous political journey, not only for Alberta, but for Canada.

SYNERGY GROUPS MAKE COLLABORATIVE DECISIONS

One of the ways that the EUB stays abreast of the issues and concerns of Albertans is through participation in provincial synergy groups. A synergy group is an ongoing collaboration of diverse stakeholders (usually citizens, industry, and government) that undertake to resolve issues in a nonadversarial manner at the local level. It is within these multistakeholder processes that citizens have the greatest opportunity for influence in the decision-making process about resource development.



Each synergy group is shaped by those issues that affect its particular community. In other words, the development concerns of one area of the province will be distinct from another. Currently there are over 50 synergy groups in Alberta. EUB Field Surveillance staff are active participants in the synergy groups within their communities, providing indispensable technical and advisory support as they

explore the current issues. As well, the EUB was cosponsor of a provincial conference for synergy group members and is undertaking research into the different groups' information needs.



"We must monitor our organization to ensure that we are not only good at what we do, but that what we do is important and meaningful to society—that we are adding value."

Neil McCrank (photo and caption from Ministry of Energy 1998 annual report)

The new love-in era began with a "provincial conference for synergy groups" held in Red Deer, Alberta on February 25-26, 2002, a forum for the EUB to "renew and expand its commitment to mutual learning

with communities, youth, and industry." The town of Red Deer is located in the middle of the Horseshoe CBM development or 'fairway'.

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Although the EUB maintains the largest energy database in the world, much of it is difficult for the public to understand. The EUB strives to improve public access to information by providing information in user-friendly formats. The new EnerFAQs question and-answer

*publication series has been very popular with both the public and industry. Current EnerFAQs deal with such issues as electricity, flaring, setbacks, and critical sour wells, with several more in development. Additionally, extensive stakeholder consultation was conducted in 2002 and a set of questions was developed to assist landowners in their conversations with energy companies proposing development.*⁹

The initiation and convergence of Synergy Alberta with the start-up of the unconventional CBM era occurred in the mix of a larger public relations problem for both the energy industry and the Alberta government. Serious public safety and sour gas incidents became disturbing and vexing issues for powerless landowners for a good decade or more previous, stories and accounts documented in Andrew Nikiforuk's 2001 book, *Saboteurs - Wiebo Ludwig's War Against Big Oil*. The early 1990s marked the beginning of the synergy psychology applied to Alberta's rural communities, and over a period of some ten years leading up to the 2002 conference, Albertans were getting a good dose of it. The 2002 conference was merely the metamorphosis of the ten-year-long synergy cocoon.

Sour gas development has become a significant issue within the province of Alberta. In one of the great ironies of natural resource reserves, Alberta is blessed with an abundance of high-quality coal, which contains very little sulphur. However the province is also blessed, or cursed, depending upon your point of view, with another abundance of a natural resource known as "sour gas," which contains large amounts of sulphur. This sulphur is found in natural gas containing a toxic component known as hydrogen sulphide, or H₂S.

The sour gas industry has been active in Alberta for more than 40 years. Over one-third of Alberta's produced gas is classified as sour, and Alberta accounts for about 85 per cent of Canada's total sour gas production. Sour gas is very toxic to humans and animals at relatively low concentrations. Therefore, the exploration for and production of sour gas must be undertaken with special equipment and safety procedures to assure both worker and public safety. As the continental demand for natural gas increases, both so-called "sweet" natural gas (gas without any H₂S) and sour gas exploration and production are increasing. And as sour gas activity levels have increased, so have public concerns.

The development of Synergy Alberta, a provincial support network for Synergy Groups, began in Red Deer in 2002 with the 'Making Synergy Real' conference.

Synergy was defined as "the catalyst to achieve a principled, balanced and sustained approach to resource development for Albertans. By working together we can achieve more."

A Mission Statement was also established for "fostering and supporting mutually satisfactory outcomes in Alberta communities by providing information, mutual learning, communication, skill development, facilitation and resources."

In 2003, people came together again at the Synergy Supporting Synergy roundtable to determine if there was a need and a desire to develop a plan for a synergy umbrella group in the Province. After hearing from representatives of communities, industry and government the decision was made by the participants that there was a great deal of value in having a central supporting organization.

In the fall of 2004 participants convened again in Red Deer to determine the needs and development of a structure of what Synergy Alberta would look like. Five action teams were formed with the intent of creating the structure for Synergy Alberta, what it would look like and how it could be used.

There are now over eighty different synergy groups from various communities in the Province of Alberta and as the pace of resource development continues to grow, these community groups play an extremely important role in achieving a "principled, balanced and sustained approach to resource development for Albertans"

Further work is now occurring to open a Synergy Alberta office, establish a Board of Directors and to hire an Executive Director. Funding has been secured for the first year of operation.

⁹ EUB 2002 annual report, *Working for Albertans, 2002 Year-End Review*.

According to the Sundre Petroleum Operators Group's (SPOG's) website, SPOG was formed in 1992 as an association later made up of 13 local petroleum companies and members of the Sundre and Caroline area communities. The SPOG area covers an area of some 600 square miles in mid-west Alberta. The "community" started the association, concerned about gas developments and accidents in the area, which sprouted into a cooperative arrangement between the companies and the community. 19 years later, SPOG was made up of: 19 "communities" members, a category that included the local Chamber of Commerce; 8 petroleum service companies; and 17 petroleum companies, such as Apache, Bonavista Petroleum, ConocoPhillips, ExxonMobil, Penn West, Shell Canada, and TAQA North. Through the years, SPOG helped implement "Best Practices" for the petroleum industry.



The Summer issue of SPOG's 2001 newsletter, *IMPACT*, included a guest editorial by Derrde Maht. She had "worked with a variety of Native Energy Bands across North America," and in January 2001 was "hired on contract by Pogo Canada Ltd.", a subsidiary of Houston, Texas-based Pogo Producing Company, as its "compliance, liability and landowner relations" officer. Maht wrote:

It only took attendance at one of the SPOG community meetings to see why it had become the template for community action groups across the province (and soon North America I am sure). The concept of win / win, the dedication of community members, those working in the Oil and Gas industry and those not. Focuses on communication, working relationships and team asset building are shining examples to not only community action groups but industry partners as well.

Maht's advertisement of SPOG as a "template for community action groups" was exactly the problem, a problem spreading roots out to other North American jurisdictions, and undoubtedly a big emerging problem for Poland.

EUB Alberta Energy and Utilities Board

January 2000

a c r o s s t h e b o a r d

"The EUB does a lot of good work," says Chairman Neil McCrank, "and we want to keep stakeholders informed. *Across the Board* is another way to make that happen."

What's Inside
 Recent EUB Publications ... **2**

EUB Launches Monthly Newsletter
by Neil McCrank, EUB Chairman

Welcome to the first edition of *Across the Board*. From now on, we'll publish this newsletter every month. We use the word "stakeholder" a lot at the EUB and that's the audience for this newsletter. If you are in the energy or utility business, a landowner with oil and gas facilities on your property, active in an environmental or community group, or a member of another agency or government department, we hope to improve your understanding of what the EUB is and does.

Most of the newsletter is made up of regular columns. For example, every edition includes a list of upcoming hearings and pending decisions. On the information side, the newsletter features a summary of recent decisions, and new publications we've issued for the previous month. The newsletter also summarizes

particular area for the last 12 months. This time 'round, we've summarized enforcement and inspection activity for all of 1998-99, although we intend to report monthly in future issues. Every edition also includes feature articles about one or two major regulatory initiatives and how they're progressing, to help you better understand the trends and issues affecting our role as regulator.

"...we hope to improve your understanding of what the EUB is and does."

In keeping with our commitment to openness, we plan to sustain this newsletter on a long-term basis. Please tell us what you think. The Web site version has

Upcoming Event: Making Synergy Real

A conference for community, industry, and regulatory groups working in Alberta's oil and natural gas areas, brought to you by the Canadian Association of Petroleum Producers (CAPP), the Alberta Energy and Utilities Board, and Alberta's Synergy Groups.

When: February 25 & 26, 2002

Where: Red Deer, Alberta

To request an information package or for further information, contact
 Telephone: (403) 398-8899, Fax: (403) 686-9694
 E-mail: synergy.alberta@shawbiz.ca





CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

Committed to responsible resource development

What is Stewardship?

In June 2002, the *Making Synergy Real* conference organizers published a *Conference Proceedings* document, which summarized the conference events. CAPP chairman Ray Woods, the senior operating officer for **Shell Canada**, said in his presentation, *Synergy Groups: A*

Model for Industry and Community Working Together, that “SPOG became the vehicle that re-established a positive relationship between companies working in the area,” and that “SPOG is one example of a synergy group that has been successful in resolving issues in productive ways.”

Publications

January 21: Alberta Drilling Activity Monthly Statistics (ST-59) for November 2002

January 16: EUB Synergy Group Survey: The EUB is creating a database of active community groups in the province. We believe that such a listing will help to connect groups and to maintain an ongoing dialogue with communities that share their land base with energy development. *Survey submission deadline: February 14, 2003*

Over the past few years, the number of synergy groups in the province grew from a handful to over 50.

*Shell has used this approach of bringing all stakeholders together in its exploration activities in southern Alberta. It established the **Waterton Roundtable** in the early '90s to share information about its development plans in the Waterton field with a number of*

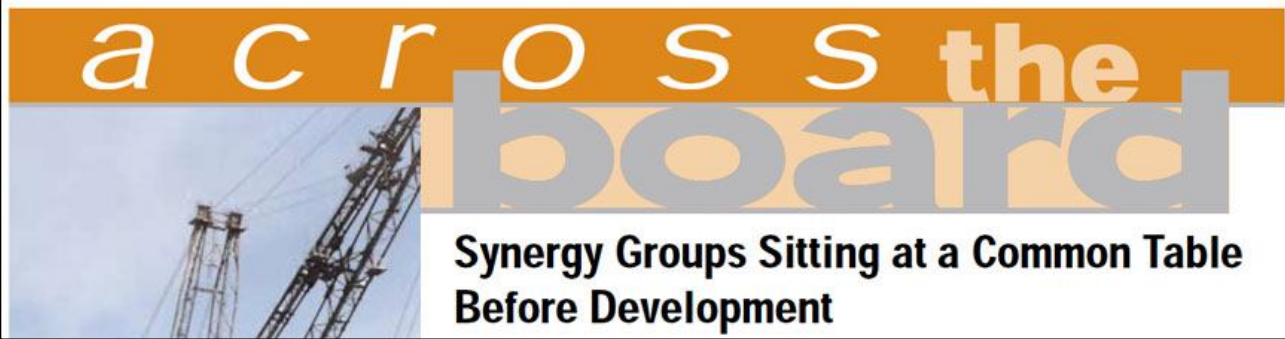
different stakeholders, including community representatives, environmental groups, the EUB, and Alberta Forestry.

In recent years, increased exploration and development activity, concerns about cumulative effects of this activity, land-use conflicts, and a growing rural population have put a strain on the relationship between companies and communities. It is important to have nonconfrontational mechanisms to discuss questions related to potential impacts of oil and gas activity on the land, land values, aesthetic values, and health and safety.

A lot of people have a stake in oil and natural gas development in Alberta. By bringing these stakeholders together to discuss and understand each other's viewpoints, synergy groups work towards finding solutions that benefit everyone—in other words, win/win solutions.

The industry also benefits from this cooperative approach. Oil and gas companies share the use of land and its resources with a number of stakeholders. Conflict can jeopardize the value of oil and gas reserves by delaying or preventing access to

The EUB's mission is to ensure that the discovery, development, and delivery of Alberta's resources take place in a manner that is fair, responsible, and in the public interest. And while “public interest” encompasses many things—social, economic, environmental—let there be no mistake, public safety is our first priority. Energy resources and energy revenues are important to the people of Alberta, but for the Board to find that any energy development is in the public interest, it must be convinced that public safety can be adequately protected.



reserves and increasing costs to do business. Conflict can also damage a company's corporate reputation, which makes consultation on future project applications more difficult.

By helping to foster good relationships between the industry and other stakeholders, synergy groups can help to bring clarity and certainty to exploration and development and encourage continued investment in Alberta.

*In 1999, CAPP established the **Stewardship initiative**. The concept of stewardship means industry considers how its actions affect others and conducts its business in responsible way. The goal of the Stewardship initiative is to enhance the sustainability of the petroleum industry by balancing the three pillars of sustainable development: the environment, economy, and society.*

To date almost half of producer members are participating in this program, and CAPP is working towards getting 100 per cent participation.

At the conference were representatives from **51** petroleum energy and service industry companies:



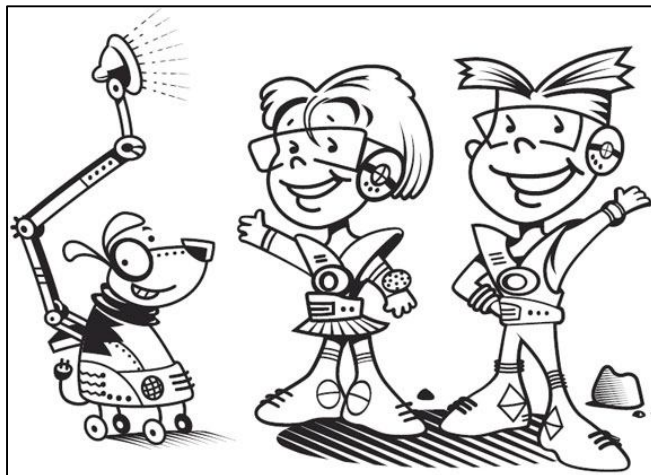
Alberta Energy Company (Encana), Alliance Group, Anadarko Canada Corporation, APF Energy Inc., ARC Resources Ltd., ATCO Gas, Atlas Energy Ltd., Border Midstream Services Ltd., BP Canada Energy Company, Burlington Resources Canada Inc., Calpine Canada Resources Ltd., Canadian 88 Energy Corporation, Canadian Natural Resources Ltd., Canadian Waste Services Inc., Centria Canada, Conoco Inc., Consultation & Compliance Inc., Compton Petroleum Corporation, Devon Canada Corporation, D.R. Hurl & Associates Ltd., EPCOR Generation Inc., Epic Unisource Inc., Exxon Mobil Canada Ltd., Gibsons Petroleum Company Ltd., Hunt Oil Company of Canada Inc., Imperial Oil Resources Ltd., Jasaac Land and Environmental Services, KeySpan Energy Canada Inc., Newalta Corporation, Nexen Inc., Nexen Balzac Gas Plant, Northrock Resources Ltd., Mancal Energy Inc.,

Marathon Canada Ltd., Murphy Oil Company Ltd., PanCanadian Energy Corporation, Penn West Petroleum Ltd., Petro Canada Oil & Gas, Petrovera Resources, Proactive Group of Companies, Rife Resources Ltd., Rio Alto Exploration Ltd., Shell Canada Ltd., Sparks and Associates Inc., Shaker Petroleum Inc., Stampede Oils Inc., Summit Resources Ltd., Suncor Energy Inc., Talisman Energy Inc., VECO Canada Ltd., Williams Energy Inc.

The proceedings revealed that “Although **almost half of the attendees represented oil and gas companies**, 58 people involved in 28 synergy groups ensured solid representation from communities and landowners. The EUB sent 38 staff, including 5 Board Members, the Chairman, and many field staff.” In other words, almost 80 percent of conference attendees were from industry and government, and perhaps a few more representatives from the synergy groups were also from industry - a synergized stacked deck. The document also said that evaluations from “114 participants” said “there is an active interest in forming a “federation of synergy groups,” most of which were no doubt comments made by industry. Thanks to the EUB/ERCB, four years later in 2006, following two more conferences in 2003 and 2005, and a strategy conference meeting in 2004, Synergy Alberta became a non-profit society with a board of directors, an executive director, and an office in Calgary.

Incredibly, as reported in the September 2006 edition of the EUB’s newsletter *Across the Board*, when Synergy Alberta received its non-profit status, in August 2006 the EUB won the Institute of Public Administration of Canada’s (IPAC’s) annual *Award for Innovative Management* for having developed Synergy Alberta, a competitive category award out of Canada-wide 71 separate entries from municipal and provincial agencies and departments.

“Business can no longer be conducted in the same old way, whether it is the business of developing resources, the business of regulating, or simply the business of living,” said EUB Chairman Neil McCrank. “Winning this award reflects



Youth and Energy Development Initiative is educating and entertaining Alberta kids

(November 2002)

THE EUB’S YOUTH AND ENERGY Development Initiative (YEDI), made up of three entertaining and interactive learning components, is now helping to educate Alberta’s kids about oil and gas.

Deborah Eastlick, YEDI’s project coordinator, says, “Initial feedback for YEDI has been

extremely positive, with kids and teachers across the province telling us they’re having fun and learning about Alberta’s oil and gas industry at the same time.”

Each component of the YEDI program uses hands-on activities to teach kids about various oil and gas issues, such as the history of the industry, sour gas development, flaring and venting, field inspections, health and safety issues, career opportuni-

Log onto <www.eubkidzone.gov.ab.ca> and encourage your kids to start exploring the world of oil and gas.

- **Petroleum Play Activity Booklets** - In the *Petroleum Play Activity Booklet*, RO-VR the EnerBot and Enerbuddies Emmy and Nick take kids on a journey through time to show the amazing world of petroleum. Whether it’s by making a sedimentary sandwich or figuring out the best route to lay a pipeline, kids will learn without even realizing it!

- **Children’s Web Site** - Many of the exciting exercises developed for the *Petroleum Play Activity Booklet* are also available on Children’s Web site. That’s right: just log onto <www.eubkidzone.gov.ab.ca/main.html> and encourage your kids to start exploring the world of oil and gas.

the EUB's commitment to finding unique solutions to the challenges we face everyday as we work to serve the public interest."

Gary Redmond, executive director of Synergy Alberta, credits EUB innovation for helping to establish the organization and advancing what he calls the "synergy movement" in the province.

"There's no question that ... if it weren't for the EUB, Synergy Alberta wouldn't be here today to promote the sharing of best practices, allowing the groups to learn from one another, and pursuing input from the community," Redmond said.

across the board

In this issue:

February 2005

Synergy conference brings people and ideas together	1
Recent EUB publications and decisions	2
Ensuring fairness through EUB hearings	3
Questions, complaints, problems, who to contact	4
Upcoming public hearings	4
Pending decisions	4

Synergy conference brings people and ideas together

Cooperation and understanding were qualities demonstrated by industry, community, and government representatives recently at the *Synergy in Motion* conference held in Edmonton February 6 to 8 by Synergy Alberta. Synergy Alberta provides a variety of information, services, and tools to support the work of local community groups.

"Synergy is about creating open lines of communication," said Deborah Eastlick, EUB Community Relations Advisor Specialist and a *Synergy in Motion* organizer. "The conference allowed industry, communities, government, and the EUB to talk openly about their views on synergy and, specifically, how everyone can best use the new office to its full potential."

Synergy in Motion Conference 2005

Date: February 6, 7, and 8, 2005

Location: Ramada Hotel and Conference Centre
11834 Kingsway
Edmonton, AB

A synergy group is a community-based group of people, usually comprising representatives of the public, local industry, and government, who meet to identify and address issues related to oil and gas development. The next step in the evolution of synergy groups is the development of a framework for a centralized information centre and synergy support system. Learn where this exciting initiative is at and where it's going at the *Synergy in Motion Conference 2005*. Register at www.synergyalberta.ca.



Synergy has become a movement. Groups are connected, and many are looking to make a contribution not only at the *local* level, but at a *provincial* level and beyond the oil and gas sector.

Synergy Supporting Synergy: EUB-sponsored synergy roundtable a success (January 2004)

If you see a turtle atop a fencepost, chances are that he had some help along the way. This was one of the bits of folk wisdom that emerged during Synergy Supporting Synergy, a two-day roundtable of synergy groups held in Red Deer in late October 2003. The point is that if you're going to think outside the box and go where no turtle has gone before, you need a little help from your friends and neighbours.

In order to achieve the desired and necessary cooperation and communication, people (industry, synergy groups, regulators, and others) need to physically come together at the local level to address local issues.

As understood by the EUB and stakeholders synergy is a generic term used by the EUB to describe a community-based group of people representing landowners and residents, local industry operators, and the EUB. Increasingly, membership is being broadened to include such groups as municipal governments, Chambers of Commerce, and industry people from other sectors. These people meet to

Cosponsored by synergy groups, the Canadian Association of Petroleum Producers, and the EUB, Synergy Supporting Synergy was the second provincial gathering of synergy groups, and it was quickly apparent that we've come a long way in eighteen months.

Nearly 200 people rolled up their sleeves to develop a collective vision and action plan to move synergy forward in a more effective and supportive fashion.

Guided by the three strands of synergy; cooperation, communication, and convergence, participants took a look ten years into the future with their vision, then looped back to the present to find a way to make that vision happen.

The consensus at the roundtable was that synergy works! By 2013, participants envision a "synergy province," a well-established network of relationships. This will occur through the

Some of the many speakers at the February 2002 conference included:

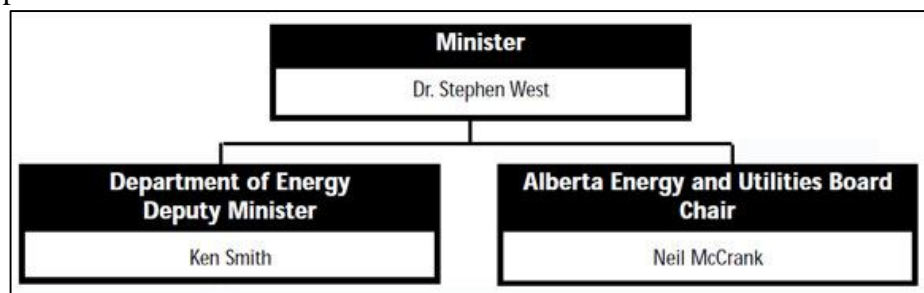
- **Dr. Blaine Lee**, an American and founding vice-president of **Franklin Covey** (originally, **Covey Leadership Center**), gave an 'inspirational' half-day 'teamwork' workshop on *Getting To Synergy*. He was the author of *The Power Principle*, and passed away in February 2009. According to Lee's company document, *Success Stories*, Franklin Covey Canada Ltd. is a subsidiary of Salt Lake City Utah-based **Franklin Covey Co.**, and has "6 retail locations across Canada: Cambridge, Toronto, North York, Ottawa, Calgary, and Vancouver. Internationally, Franklin Covey has 44 offices in 33 countries, with training products "printed in 28 languages" and "distributed in 170 countries." It "trains more than 750,000 people annually" and "holds public workshops in more than 400 cities throughout the world." Franklin Covey "consults with more than 80 of the Fortune 100 companies, more than two-thirds of the Fortune 500 companies, thousands of mid-sized and smaller companies, governments, educational institutions, communities and families." The

conference proceedings didn't include a summary of Lee's presentation "due to copyright agreements."

- **Roger Gibbens**, president and ceo of the western separatist public policy think tank **Canada West Foundation**, gave a presentation, *Alberta's Changing Landscape - The Context of Synergy*. The conference biography states he was a professor of political science with the University of Calgary, he published 19 books, and was co-editor of the *Canadian Journal of Political Science* from 1990-1993. The summary about Gibbens' presentation on the new dynamics of "globalism" and "localism," had the following weird commentary: *if the cities are becoming more important and the world is becoming more important, something must become less important. And, probably, the things that are becoming less important are Alberta and Canada. This is a gradual change, but the direction is clear. If you have Calgary and you have the world, and you have good Internet and air connections between Calgary and the world, it's not clear you need Alberta.*

- **Neil McCrank**, chair of the EUB (now, ERCB). McCrank obtained a law degree from Queens University in 1969. He arrived in Alberta in 1979, became a member of the Law Society of Alberta, the Law Society of Upper Canada, and the Canadian and Calgary Bar Associations, and was a special prosecutor with Alberta's Attorney General. From 1989 to 1998, he served as Deputy Attorney General and Deputy Minister of the Justice Department, and was appointed to chair the EUB in July 1998, an appointment made by the Ministry of Energy. At the time, Stephen West was the Minister of Energy, who had a reputation of being Premier Ralph Klein's

"axe man" - i.e., in deregulating electricity and privatizing liquor stores - and was also nicknamed *Dr. No.* (After West left



government in 2001, he became a director and vice president of an oil supply company, Corlac Inc.) As chair of the EUB, McCrank reported directly to the Minister of Energy, the same high ranking duty as the Deputy Minister of Energy, and the beginning of his appointment occurred when Alberta's tar sands were being considered for massive developments, and petroleum corporations were in need of regulatory approvals for their many controversial schemes. McCrank was also on the *leaders board* of the not-for-profit University of Calgary **Institute for Sustainable Energy, Environment and Economy** (ISEEE), where, in 2003, the likes of **Gwyn Morgan** (president of Encana), **James Gray** (chair of the Canada West Foundation), and **Charlie Fischer** (president and ceo of Nexen Inc.) also served beside him. During his term with the EUB, McCrank was also on the executive of the Canadian Energy Research Institute (CERI) as its vice chair and chair.

McCrank was also with the policy think tank Van Horne Institute, and the Petroleum Technology Alliance of Canada (PTAC).

McCrank's conference presentation was called *Building on Today's Success - The Challenge for Tomorrow*. The conference proceedings summarized his presentation:



In this new reality more people are moving to the country in search of “the good life.” At the same time, an increasing demand for oil and gas has resulted in the proliferation of energy facilities and pipelines in these very same areas. Competing visions for the use of the land are often the result.

In the new reality the public also expects industry and regulators to be more open and accountable. That is why the EUB's vision states that we “will continue to

build a regulatory framework that inspires public confidence.” It is important to note the word “inspires,” not “seeks” or “demands.”

Another aspect of the new reality that is linked to a shift in public perception is an increase in community activism. People have legitimate concerns about things like human and animal health and safety, environmental impacts, and the sustainability of resource development. They want to have meaningful influence on those decisions that directly affect their lives.

The public has a right to demand influence and accountability, as Albertans own the resource and share it with the industry. That's why permission to develop is given, by the people's elected government, in the form of leases—not outright sales.

The regulator, entrusted with the public interest, must ensure that discovery, development, and delivery of Alberta's energy resources take place in a manner that is fair and responsible. Development may only occur under strict regulation and vigilant surveillance, with consequences for noncompliance.

The Energy Resources Conservation Act clearly directs the actions and decisions of the EUB when determining the public interest. It says that we must “give consideration to whether the project is in the public interest, having regard to the social and economic effects of the project and the effects of the project on the environment.” Note that the act demands that the EUB consider not just the economic benefit, but the social and environmental effects as well.

Synergy groups work because there is an understanding that along with the rights of participation come responsibilities. Whether participants represent the community, the industry, or the regulator, each has a responsibility to become informed and to focus on

interests, not on entrenched positions. Participants must make a commitment to the time and the effort required so that there is ownership of both the process and the outcomes.

Another responsibility of participation is action. Every effort must be made to work together to produce outcomes that have substance and make a positive difference.

Open and transparent communication, every day, at every stage, with every member is key to success.

The final level, Empowerment, places final decision-making in the hands of citizens. In the context of resource development in Alberta, this level isn't possible because Alberta law places final decision-making power solely in the hands of the EUB. The EUB is an independent body and cannot be directed by any other party. That said, however, the EUB is committed to working with both communities and industry to constantly improve the quality of our policies and practices.

The EUB/ERCB failed to define “the public interest,” and, given its chairman’s prestigious and lengthy office with Alberta’s Attorney General, it was perhaps disingenuous for legal-minded McCrank not to have carefully defined the term, either voluntarily or involuntarily, as he was eminently qualified to so do. Was his failure to disclose and enunciate this definition in “the public interest?”

Because of the manner in which the ERCB had been pushing the petroleum industry’s agenda, university law students and professors in Alberta took an interest in researching and defining “the public interest.” Andrew Nikiforuk’s October 2002 article in the National Post Business Magazine, *Flare Up*, may have helped evoke examining the conundrum:

Funded largely by industry, the EUB has a mandate to regulate the province’s 1,000 oil and gas companies “in a manner that is fair, responsible and in the public interest.” Known as the Energy Resources Conservation Board during the era of former premier Peter Lougheed, it once earned respect with fair and toughminded decisions. But during the 1990s the board took conservation out of its name and now generally interprets the public interest as anything that helps sustain government revenue from the oilpatch. And with a shift to selfregulation and cuts to staff, the EUB left landowners to fend for themselves,” explains Roger Epp, a political scientist at Augustana University College in Camrose. The EUB, now largely staffed by oilpatchers, approves as many as 8,000 wells a year. It rarely says no to industry. But in the fall of 1998, the board

Lately, the EUB has found itself in unfamiliar territory ... on the front page of newspapers across Alberta and across the country. High utility rates, landowner/industry conflict, and the potential dangers of sour gas have led us to a place that is squarely in the ‘eye of the storm’. 30 years ago, these confrontations rarely occurred. Today, confrontations between landowners and energy companies occur every day. In the past 3 years, there have been over 40,000 wells drilled in Alberta, that is more than were drilled in the province in the 55 years from 1915-1970. There are now 1,500 companies in the patch ... new companies are being formed every day ... many of these companies are unknown to the Regulator and the public. Energy development is also moving closer to populated areas. People are moving to the country to live ‘the good life.’ The public is more aware of energy development than ever before, and they are asking questions. And the public has a right to get answers to these questions.

Neil McCrank, March 6, 2003, *In the Eye of the Storm*, speech for the Calgary Chamber of Commerce.

belatedly identified landowner concerns as “an emerging issue” after \$10 million worth of industrial sabotage in Peace River and the murder of an oil executive in Bowden, Alta., by a disgruntled rancher.

One of the few emerging legal reviews of the ERCB’s mystery mandate was published in August 2008 in the Journal of Environmental Law and Practice, “*The Public Interest*”: *Can it Provide Guidance for the ERCB and NRCB?* It included the following:

“The public interest” is the standard that guides many government authorities and boards in their decision-making. In the environmental context, the public interest is the common test and justification for deciding how and when to develop natural resources that are located on public land or are owned by the Crown on behalf of all citizens.

The appeal of the public interest is its familiarity; intuitively, every person thinks he or she knows what the term means. The problem arises when a person tries to define this “deceptively familiar” concept. Little agreement exists about whether the term has any meaning at all, or, if it has, what that meaning is. Despite this confusion, the term continues to persist as the general formula for the exercise of discretion by decisionmakers, particularly with respect to decisions over natural resource use and development in Alberta.

In Alberta the public interest is expressly included within the legislative mandates of two boards: the Energy Resources Conservation Board (ERCB) and the Natural Resources Conservation Board (NRCB). The ERCB regulates the development of fossil fuel projects in Alberta, many of which occur on public land and involve the use of publicly owned energy resources. The NRCB reviews certain non-energy projects relating to forestry, recreation and tourism, mining and water management.

However, the term “the public interest” is not defined in either Board’s governing legislation and, as a result, these Boards have faced ongoing challenges in articulating and applying this concept in their decisions.

The difficulty in considering the public interest has been exacerbated by Alberta’s economic boom, which has placed increased pressures on the land base. Continuous and rapid economic growth has meant a larger number of interests are competing to access the province’s finite land and natural resources. The pace and scale of development has also led to the difficult problem of managing cumulative effects, the phenomena which is sometimes called “death by a thousand cuts.” All of these factors in Alberta have, in turn, heightened the number and intensity of viewpoints that come before these Boards, particularly the ERCB.

*The public interest has been referred to as “**an empty vessel, to be filled at different times with different content.**” It is at times considered synonymous with terms such as “public good,” “common good,” “general welfare,” or “well being of general public” but these terms themselves are capable of varying interpretations. Academics, judges, administrative board members and legislators have attempted to define the public interest with varying degrees of success.*

On March 31, 2007, McCrank, nearing the age of 65, “retired” from the Alberta government, but not from private sector opportunities. In a February 21, 2007 ERCB media release announcing his departure, McCrank was quoted saying:

I am most proud of how the EUB has become more open to the public we serve. The EUB has played a significant role in increasing the public’s awareness of energy and utility issues. Albertans are more engaged and better informed than they have ever been. I have great respect and admiration for the staff and Board members I have served with at the EUB. We are widely regarded as a world-class regulator, and our people are the reason why.



As Andrew Nikiforuk wrote in his October 22, 2007 article, *Not in Our Backyard! - A Controversial Electricity Transmission Line and Charges of Spying Zap the Reputation of Alberta’s Energy Regulator*, the timing of McCrank’s departure occurred during “one of the most explosive political scandals in Alberta history.” A proposed electrical transmission line - to be built by AltaLink Management Ltd., largely owned by SNC-Lavalin Group Inc. - down the middle of Alberta through landowner properties was almost approved without landowner notice and input. Joe Anglin, a determined landowner and former New Hampshire policeman, forced the EUB in August 2006 to halt the proposal until a proper public hearing was held, to adhere to the EUB’s “public interest” mandate. Anglin compared the EUB to a “kangaroo court,” and after the EUB ruled against a public hearing, landowners “marched to the Alberta Court of Appeal, where they argued the EUB had failed to uphold the *Transmission Regulation*, the *Electric Utilities Act*, the *Hydro and Electric Energy Act* - and its own mandate to be impartial.” Court documents later revealed that the EUB hired four private investigators to mingle with and spy on landowners. “It didn’t take long for Anglin, a former cop, to spot ex-RCMP types sitting among six to seven grandmothers. “They were the guys eating all the cookies,” he says.”

After receiving interventions to the application, the EUB conducted a public hearing in Calgary, which sat for 11 days beginning on December 9, 2004. Interested parties agreed that the transmission development was necessary and focused on two different concepts: AESO’s preferred 500 kilovolt (kV) alternative and a 240 kV alternative.

The EUB examined the two concepts and concluded that AESO’s preferred 500 kV development concept is the appropriate means by which to address the need identified. The EUB found this concept superior from the perspective of transmission system planning and performance, routing considerations, and economics.

Two weeks before McCrank's 'retirement', the Alberta government issued a news release on March 15, 2007, *Task force to examine government agencies, boards and commissions*, in which McCrank was appointed chairman to make recommendations for the government of Alberta on improving "the transparency, accountability and governance of its agencies, boards and commissions." After the fox left the henhouse, other foxes asked for expert advice on how to improve the henhouse situation. Of interest, McCrank's attached biography stated that he already was serving as vice chairman of the **World Petroleum Congresses (WPC) Canadian Association**. He would soon be further elevated as the Congresses' chair. McCrank, along with a large contingent of Canadian representatives, attended the December 4-8, 2011, 20th World Petroleum Congress held in Doha, Qatar, where almost 4,000 international petroleum delegates converged, almost half of which were Qatar-based, the first gala affair and inauguration of Qatar National Convention Centre. The Congresses (first Congress, 1933, London; third Congress, 1951, the Hague; 12th Congress, 1987, Houston) have more recently convened triennially, and have often been touted by its own as the "Olympics" of the petroleum industry. The 16th World Petroleum Congress was held in Calgary in 2000, just as Alberta's controversial tar sands companies were gearing up production.

When McCrank became the vice president of the WPC Canadian Association, it was chaired by David J. Boone, the co-founder of **Marathon Oil Corporation**. Boone, the president and director of **Escavar Energy Calgary**, had been president of **Encana Corporation's** Offshore and International Operations. Members of the WPC Canadian Association in 2010 included: the government of Alberta, the ERCB, Borden Ladner Garvill law firm, Barrick Gold, Chevron, Petrobank Energy and Resources Ltd., Golder Associates, etc.

In late 2007, the federal Conservative administration gifted McCrank two assignments: to sit as a member of Prime Minister Harper's **Advisory Council on National Security**, and as the Minister of Indian Affairs and Northern Development, Chuck Strahl's, Special Representative to lead the **Northern Regulatory Improvements Initiative**, to outline proposed recommendations on a northern Canadian energy regulatory regime. On November 21, 2007, the Northwest Territories Board Forum¹⁰ wrote McCrank to congratulate him on his appointment and gave him the following advice:

We encourage you to be as transparent as possible in carrying out your review. Your review represents a unique opportunity for all interested parties to the northern regulatory system to explain and clarify problems, issues and possible solutions from their perspective and to similarly learn from the perspective of others. This will achieve a more comprehensive understanding of the scope of the improvements that may be possible.

In the end, "in-the-public-interest"-McCrank apparently failed the transparency test requested of him by Northwest Territories stakeholders in his special northern federal assignment. The September 14, 2008 issue of Petroleum News article, *It's hot-button time in Canada*, reported the following:

Alternatives North, a social justice coalition based in Yellowknife, Northwest Territories, has made the case for environmental safeguards in the North in a recent response to special

¹⁰ NWT Board Forum members: the Mackenzie Valley Environmental Impact Review Board, the Mackenzie Valley Land and Water Board, the Sahtu Land and Water Board, the Wek'eezhii Land and Water Board, the Gwich'in Land Use Planning Board, the Inuvialuit Game Council, the Inuvialuit Settlement Region, the Sahtu Renewable Resources Board, the Wek'eezhii Renewable Resources Board, and the Gwich'in Renewable Resources Board.

recommendations from Neil McCrank to the federal Department of Indian Affairs and Northern Development on ways to improve the NWT regulatory system.

Speaking for the coalition, Doug Ritchie said northerners “don’t want the uncontrolled and unsustainable development that is happening in Alberta and that’s the model put forward in the (McCrank) report.”

He said the recommendations fail to address the “real issues with the northern environmental management system” including the federal government’s failure to implement and fund the process.

*Ritchie also objected to **the exclusion of submissions from non-governmental organizations and northern boards from the McCrank report**, while industry submissions were cited, including those by the **Conference Board of Canada** and the **Fraser Institute**, both promoters of “unfettered resource development.”*

“The Alberta-type model is so appealing because people don’t have much control over it,” he said.

Ritchie said the report reflects the growing oil and gas industry and the fact that there is limited monitoring of the industry’s activities.

He said there is no desire by any aboriginal groups to “substantially change” the Mackenzie Valley Resource Management Act by lessening community involvement.

“We have a good system that aboriginal people fought for at the negotiating table,” he said.

McCrank, as with numerous other Alberta high ranking civil servants, bureaucrats and politicians, entered the ‘revolving door’ and almost took off its hinges. From late 2007 onwards, McCrank became: director of both **AltaGas Income Trust** ¹¹ and **AltaGas General Inc.**; director of **Petrobank Energy and Resources Ltd.**; director of **Gravis Oil Corp.** (formerly, **MegaWest Energy Corp.**); director of **TSO Energy Corporation**; co-chair of **CDN Energy Inc.** His numerous appointments beg the obvious question: why was McCrank appointed to serve a 9-year term as chair of the ERCB?

In mid-2008, McCrank joined the law firm of Borden Ladner Gervais, where his responsibilities were focussed on oil, gas and energy litigation. The firm’s website states of his background expertise: “Mr. McCrank brings a wealth of insight into the province’s regulatory regime as it relates to large oil sands and electricity projects. He provides strategic advice on some of the most important, large energy projects this province is facing such as northern development and the oil sands, major electricity generation and transmission projects.”

¹¹ Myron Kanik, a former Deputy Minister of Energy, also became a director of AltaGas Income Trust.

12-(5). The Big MAC Meetings

There's no need to overhaul Alberta's natural gas development rules to accommodate increasing coalbed methane development, say the province's energy regulator and industry players.

Members of the public, however – including rural landowner, agricultural, municipal and environmental groups – say the adequacy of current gas-development regulations is their biggest concern about the expanding industry.

Existing regulations “provide the protection that we believe is required for the development of coalbed methane (CBM),” says Neil McCrank, chairman of the Alberta Energy and Utilities Board (EUB).

The EUB is prepared to adjust some rules if necessary as the industry grows, McCrank told the fifth annual Unconventional Gas and Coalbed Methane Conference, held in Calgary last week.

*While the province has “very good regulations,” there is a need for closer co-operation among the industry, government regulators and all stakeholders, says **Michael Gatens**, chairman of the Canadian Society for Unconventional Gas, the industry group that presented the conference.*

*“We as an industry, we as a community . . . need to work more closely together to try to harvest that resource for the greater community in a way that works better for everybody,” said Gatens, who's also the chief executive of **MGV Energy Inc.**, a CBM developer in Alberta.*

*Conference co-organizer **Mike Simpson**, CBM manager at **Nexen Inc.**, says Alberta's framework for regulating development of hydrocarbons “is probably the best in the world.” Alberta Energy is leading a cross-department government team that is reviewing existing provincial policies and regulations to ensure they will protect the environment while allowing responsible CBM development.*

In advance of a province-wide public consultation, the team met last month in Calgary with various groups. These stakeholders identified the adequacy of current provincial regulations as their chief concern about CBM development.¹²


Not long after the February 2002 Synergy Alberta conference, the government of Alberta received telephone calls and letters of complaint by as-yet-un-synergized landowners concerning unconventional CBM developments that were sprouting up like alien weed species over the prairie. The emotional intensity of landowner concerns got louder and more frequent by late 2003. Following a September 12, 2003 pre-consultation meeting with



¹² Coalbed methane development raises concerns - EUB prepared to adjust rules as industry grows, Calgary conference told, Business Edge, October 30, 2003.

‘stakeholders,’ the petroleum industry and the government’s petroleum regulator, the EUB, implemented the *Coalbed Methane / Natural Gas in Coal (CBM/NGC) Multi-Advisory Stakeholder Committee (MAC)* meetings beginning in November 2003 to ‘address’ the numerous concerns. The meetings, which continued for about two years, were little more than “talk and frack” sessions: while the meetings occurred, industry kept on drilling and fracking at increasing rates. That was the condition of the meetings specified in the Terms of Reference document: “*development of NGC (Natural Gas in Coal) will continue during the consultation process.*” Instead of landowners ‘taking on’ government in the old-fashioned, open confrontational, and demanding style, they were sidelined and diffused in synergy-style meetings. In addition to being sidelined politically, MAC participants had to sign confidentiality agreements, so any sensitive information presented at the meetings by government, industry and landowners could never be divulged publicly. That turned out to be frustrating and demoralizing for some landowners and even for a few government representatives.

In the Spring of 2004, the EUB conducted seven CBM “public information and consultation sessions” in Alberta. According to the EUB’s April newsletter *Across The Board*, “at each session, the presenters from Alberta Energy, Alberta Environment, Alberta Geological Survey, the EUB and ASRD (Alberta Sustainable Resource Development) made short presentations followed by open questions from the audience. Between 70 and over 180 landowners, local residents, local media, and government representatives attended each of the sessions.” It also said that the public’s concerns raised at the seven meetings would be summarized in a forthcoming document. The concerns, however, were never transcribed or audio recorded.



across

THE BOARD

March 2006 **Busting the myths behind CBM**

Among the many reality shows currently running on television is one called Mythbusters, in which commonly held perceptions are tested and usually proven false. Given the complexity and pace of oil and gas development in Alberta, the EUB often finds it necessary to engage in its own version of Mythbusters by supplying information, responding to questions or correcting the record when misinformation is purposely or inadvertently circulated.

It can be frustrating to deal with communities or landowners in areas where myths have propagated, but most landowners are intelligent, reasonable people who know the difference between good and bad information. By providing the best available information and taking time to answer questions, the EUB has discovered that mythbusting provides an opportunity not just to tell the truth, but also to build trust and relationships with the landowners and industries that we serve.

Because CBM is in its infancy in Alberta, there are many things about it that are not well understood in the public arena. A lack of understanding can lead to mistrust or suspicion, which in turn fosters the propagation of misinformation, or myths.

At best, the prospect of large-scale development of a resource that isn’t well understood causes suspicion among the public. At worst, it creates fear and anger, providing an audience for those willing to promote misinformation and mistrust. This is how myths are born.

12-(6). Enter Ernst

*The MAC heard from the EUB that there is no scientific evidence to demonstrate that current Alberta drilling fluid practices result in groundwater contamination. Some MAC members believed that there was not enough information to prove it one way or the other. The MAC agreed that the following recommendations should be adopted as a precautionary measure.*¹³

The March 2006 issue of the EUB's *Across the Board* newsletter ran a special feature called *Busting the Myths Behind CBM*. Though it didn't name names, it was largely directed at Jessica Ernst and a few un-synergized landowners and groups who were speaking out and getting media attention. Ernst and others posed a serious threat to the EUB and the CBM frackers because they were challenging the information and spins the EUB and frackers were dishing out during the in-house MAC meetings, information they were about to publish in a final CBM/EUB recommendation report. It wasn't until April 2011, after years of preparation with her lawyers, that Ernst - the first Albertan to do so - filed a lawsuit and went public against a major CBM company fracker, Alberta government's ERCB (EUB), and Alberta Environment for allegedly poisoning her, and her community's, drinking well water.

From March 7 - 9, 2006, Jessica Ernst, Tweety Blancett (Aztec, New Mexico Rancher), and Gwen Lachelt (director of the U.S. Oil & Gas Accountability Project, in Durango, Colorado) went on three-day *CBM Alberta Tour*. The tour was sponsored by the Alberta Surface Rights Federation, Warburg-Pembina Surface Rights Action Group, Butte Action Committee, Livingstone Landowners Group, the Pekisko Group, the Parkland Institute, and the Land Advocate (published by the Livingston Landowners Group). The women made a variety of presentations: the Norseman Inn in Camrose; the Ma Meo Beach Hall in Pigeon Lake; Room 106 in the University of Alberta's Education Building; the Trochu Community Hall in Trochu; and the University of Calgary (Mount Royal). The tour theme, *Hear the Real Truth about CBM's Impact on Farm Lands, Water and Quality of Life*, reflected the un-synergized stories, not the stories being told in synergized and controlled meetings. They were telling the un-gullible truth from their own experiences, and Ernst was trying to get answers from the government and the fracking industry about what they had done to her property and community. As Ernst states, the meeting at Pigeon



The AEUB, which has the unusual distinction for a public agency of being mostly funded by the industry it oversees, has in recent years approved 97% of drilling applications as being "in the public interest." Although landowners receive compensation for wells on their land, the sheer intensity of drilling has created a volatile atmosphere. In particular, the almost total lack of regional planning (the AEUB approves one gas-well permit at a time, without regard for the eventual size of a project) has angered municipal planning councils and residents of new subdivisions. One town, Bonnyville, is about to have a gas well drilled beneath its water supply, Moose Lake, despite protests by hundreds of residents. In a recent annual report, the AEUB pointed out that in the 1970s it dealt with 70 companies, between 2,000 and 5,000 wells a year and a population of 1.6 million. As of 2003, 1,600 companies were drilling 18,000 wells annually on a landscape inhabited by three million people. Alberta, the report concluded, faces "some interesting, almost contradictory challenges."

(*Life Inside a Science Project*, Andrew Nikiforuk, published in the *Globe and Mail*, April 29, 2005.)

¹³ *Coalbed Methane / Natural Gas in Coal, Preliminary Findings*. Prepared by the CBM/NGC Multi-Stakeholder Advisory Committee, July 2005, page 25.

Lake was apparently the “only meeting where I presented where I did not see Darin Barter of the ERCB (then EUB) pacing at the back with great agitation as I spoke.”¹⁴ Barter was the EUB’s communications officer and spokesman.



EUB’s Darin Barter (above), and Jessica Ernst at the Trochu Hall on the CBM Tour. It was full-house attendance in Trochu, with Andrew Nikiforuk, a Pincher Creek landowner, as master of ceremonies.



Ernst’s story about her fire-breathing methane-contaminated water now emanating out of her rural-fracked water well became national news by late 2005. What gave her story a punchy and saucy flavour was that she was not only an oil-patch consultant, familiar with the ways and workings of the petro state, but she was a reputable-conscientious and determined woman. In the midst of her horrible plight, she reached out to others and became absorbed in the conflicts and concerns that other Canadians and Americans were experiencing. She was invited for a speaking tour in the Yukon in late 2005, and went to the

This month members of the Alberta Environment and the Energy and Utility Board tried to reassure rural Albertans that massive coal bed methane projects involving up to 50,000 wells over a 20-year period pose no threat to groundwater. Or to 600,000 Albertans dependent on country water wells.

Now, government types told audiences in Strathmore and elsewhere that the province’s groundwater is in good shape. But here’s the truth. Budget cuts put an end to groundwater mapping and research in the province in the 1990s and for the last three years Alberta Environment hasn’t even entered digital data on more than 20,000 new water wells. Alberta now knows less about the state of its groundwater than it does about gas and oil reserves. Manitoba, which has no oil patch, maintains 600 monitoring groundwater station; Alberta operates a paltry 200. (Yet the government called this number “comprehensive.”) Mexico, which maintains 15,000 groundwater inspection wells, has better monitoring than either Canada or Alberta combined. In short Ralph Klein has ignored our real buried treasure: groundwater.

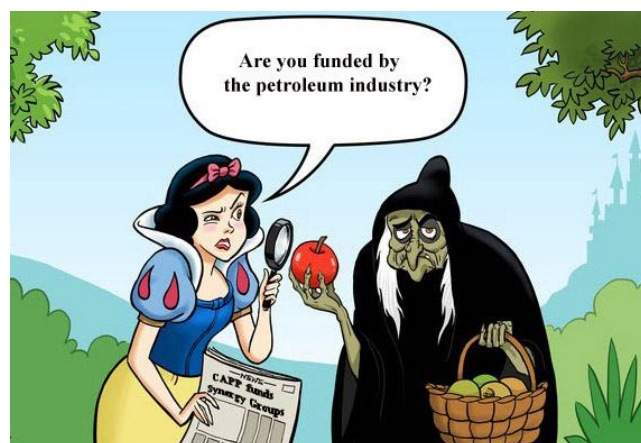
Then the government guys said that the contamination of water wells by leaking CBM wells was a nonevent. “Don’t worry,” they said. But methane from conventional wells and pipelines is already leaking into groundwater throughout the province. A 1993 study by Husky Oil found that 40% of 1300 wellbores were leaking gas. A 1996 study by the Canadian Association of Petroleum Producers reported that methane leaked more in areas where the density of exploration drilling increased. A 2002 groundwater study by the Canadian Council of Environmental Ministers, a pretty status quo group, concluded that the threat to groundwater from existing oil patch operations “represents a major challenge to governments and industry.” Last year Alberta Environment even asked local hydrogeologist Kathleen Rich to investigate groundwater contamination. But her “Study of the Migration of Natural Gas Into Ground Water From Leaking Oil and Gas Wells” hasn’t been highlighted any of the meetings.

At their dog and pony shows the government boys didn’t talk much about hydraulic fracturing either. Yet coal bed methane requires five to 10 times more fracturing than conventional gas. Fracturing involves blasting chemicals into a coal formation to loosen it up so itty-bitty volumes of gas can flow out. The US Environmental Protection Agency notes that fracturing fluids often include acids, diesel fuel, nitrogen, biocides, foamed gels, sand, and methanol: most haven’t been studied for their environmental implications. Given that 40% of the fluids are never retrieved, they represent a formidable threat to groundwater for decades. (Alberta doesn’t regulate fracturing fluids but Alabama does.) To date no CBM company has disclosed the chemical contents of its fracturing fluids.

The Groundwater Debate, By Andrew Nikiforuk, October 2006.

¹⁴ Information provided by Jessica Ernst. Tweety Blancett’s tragic testimony is summarized in a six minute video of the San Juan CBM basin (www.catskillmountainkeeper.org/node/501). In 2004, the U.S. Campaign to Protect America’s Lands (CPAL) published a report, *Cash, Connections, and Concessions: The Yates Family, the Bush Administration, and the Selling of Otero Mesa*, about the political intrigue concerning the fate of public lands that were leased off to intensive CBM developments in New Mexico’s San Juan Basin.

southwest U.S. where she toured the CBM carpet bombing zones of Texas and New Mexico. In the United States she witnessed the ugly fracking face of CBM, and more fully realized the destiny and fate of Alberta. She became an independent, self-employed, and un-synergized lightning rod for reform and action, confronting the industry and government on their cunning and mischievous ways. That's because she refused biting into the witch's poisoned apple. (See Appendix F)



Coalbed Methane [CBM] in the Yukon?

by CPAWS-Yukon. Visit www.cpawsyukon.org. Email: info@cpawsyukon.org. Phone: 867.393.8080 x. 3. Excerpts from High Country News reprinted with permission.

Methane gas wells at a 20-acre-spacing test area along I-70 near Rifle, Colorado (Rebecca Clarren photo)

What is Coalbed Methane [CBM] and how is it extracted? — Read on.

What does Coalbed Methane development look like on the land? — Look on.

Have we ever had this kind of development activity in the Yukon before? In the North? — No.

Do we know its impacts? ... in the North? ... with permafrost? ... in hard-to-reach, pristine places? — No.

Do we have any laws or regulations for Coalbed Methane [CBM]? — No.

What are the risks and dangers to the health of humans, wildlife, land and water? — Read on.

Do we want Coalbed Methane [CBM] extraction in the Yukon? — That's for you to decide.

Out of Control

by Rebecca Clarren

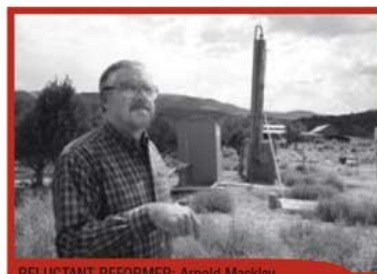
GARFIELD COUNTY, Colorado — Arnold Mackley is a patient man. For nearly 40 years, he cooperated with oil and gas companies that drilled 11 methane gas wells on his 263-acre ranch near Rifle. He cooperated, he explains, because he's a mining consultant and believes in the development of natural resources.

So when the oil and gas companies cleared dirt roads on his property and created traffic, noise and dust, he didn't complain. When a gas company left a deep pit on his land, he cleaned it up. When a gas well exploded, when 300-year-old trees were logged, and when his water well was contaminated with methane, he worked it out quietly with the gas companies. But things are different now, he

the power to determine where gas wells could be drilled on his ranch and how many of them there could be. Almost 40 years ago, gas companies were allowed to drill one well every 640 acres. On Mackley's property, that meant just one well.

In the last four decades, Colorado repeatedly liberalized that rule to allow one well every 320 acres, 160 acres, and then 40 acres. Now, one gas company, Barrett Resources, says 20-acre spacing should be permitted. Since each well requires up to 5 acres for a road, gravel pad and pipeline, more than a quarter of Mackley's land could be eaten up with gas development. While some ranchers say they want methane wells on their property because oil and gas companies pay rent, Mackley says the \$30 he gets "on a good month" isn't fair compensation.

"If we have gas wells every 20 acres, we're not going to have any quality results. I want



RELUCTANT REFORMER: Arnold Mackley stands near a methane gas rig on his ranch in Rifle. (Christopher Tomlinson photo)



Unnatural Disaster

Coalbed Methane pollutes water, scars the earth and steals away control of the land

by Hal Clifford

Bigger than Vermont and New Hampshire combined, the 20,000-square-mile Powder River Basin spreads east from the Bighorn Mountains to Thunder Basin National Grassland and laps north across the border into Montana.

The entire basin is underlaid by multiple coal seams in the rough shape of a bowl. In the center, around the broken hills of the Powder River Breaks, the seams are 1,200 feet deep and join to form a massive coal deposit known as Big George.

As of mid-August 2001, private companies had drilled 10,538 coalbed methane wells in the Powder River Basin, with projections of 139,000 wells, one every 80 acres, to essentially cover the entire basin.

Coalbed methane critics recite a litany of problems with the technology. Drilling a coalbed methane well typically disturbs four acres on each 80-acre parcel. Noisy well pumps and compressor stations spew nitrous oxide and other pollutants into the air. Wyoming officials acknowledge many of these emissions are unregulated and may violate air quality standards. Heavy vehicle traffic damages roads and throws up dust.

But water disposal is the big problem. Water is removed from underground to free the gas to flow to the surface. As of March 2002, well operators in the basin were pumping 1.85 billion gallons of water to the surface every day, causing an ironic problem: how to dispose of water in an arid landscape. In many places, the wastewater contains sodium, calcium, magnesium and benzene, and cannot be used for irrigation or dumped in waterways.

Once coal deposits are dewatered, says Walter Merschat, president of Scientific Geochemical Services in Casper, gas migrates to the surface in any direction it can, not just up well bores. It is odorless, colorless, tasteless. It can accumulate in buildings. The potential result? "Boom!" says Merschat, throwing up his hands.

A more mundane but widespread problem is that the water is often contaminated with



Rancher checks a water-belching well for contamination by methane gas (Kevin Moloney photo)

The prospect of energy ranchettes blanketing the Powder River Basin horrifies many who live here.

"This will turn into an industrial site," says Dale Ackels, a 60-year-old retired Army officer who raises hay on 100 acres along Lower Prairie Dog and is surrounded by wells. "And with the way the state has allowed it, there's no way to stop it."

Terms of Endearment

Aquifer depletion: because of the large number of wells involved, CBM extraction can deplete entire aquifers which can: cause loss of ponds, seeps and springs; alter stream and lake characteristics; cause land and rockslides; alter what trees, shrubs and other plants can grow; and, increase the likelihood of dewatered coal beds catching fire underground.

Flaring and venting: flaring is the burning of gases released during drilling, well

contamination of water and soil from leaks and spills of harmful lubricants and fluids.

Methane migration and seepage: when shallow coal seam aquifers are pumped, methane will travel underground to areas of low pressure, primarily the gas wells. But if there are other areas of low pressure, methane will move towards them. This can lead to contaminated water wells and soils, causing trees, plants and wildlife to die.

Noise and dust: drilling and associated processes produce periods of jet-engine-level concentrated large-engine noise for drilling and stimulation. Once wells are operational, they may require water-pumping and compressor equipment to operate continuously for the life of the field. Compressors can produce high levels of low-frequency noise, which is often felt rather than heard – with physical, emotional and psychological impacts on people and wildlife. Noise and dust are created through construction of well pads and roads. CBM is an industrial activity that covers a large area, so it requires the steady movement of equipment and trucks. This affects air quality.

After Ernst found out that **Encana Corporation** - the company she was consulting for in northeast B.C. and northwest Alberta - had refused to consult with her community about trying to get her neighbours to sign inappropriate blanket-approval-type letters, she tendered her resignation. Encana is one of Canada's largest and influential petroleum companies, with the largest assets and developments in Alberta's CBM fields, with large holdings in Alberta's tar sands, with many fracking assets and properties in British Columbia and the United States. It wasn't until years later, after hundreds of volunteer hours of research, that Ernst found out that Encana had illegally fractured her community's drinking water aquifers, with the regulators, including Alberta Health, covering it up. She had every reason imaginable to be angry and outraged at her big boss, Gwyn Morgan, who retreated from big Encana in 2006 during the public outrage about CBM fracking in Alberta. Morgan moved on to become chair of mighty SNC Lavalin, and later received the Order of Canada in 2011 (see Chapter 10-1, and Appendix D). The elements of Ernst's reality were so surreal, they were almost like an extended episode version of television's *The Twilight Zone*.

On top of it all, the “public interest” mandated EUB was putting up so many roadblocks to Ernst’s inquiries demanding information about government and industry fracking data, it formally banished Ernst on November 24, 2005. Ernst began to suspect that there was something seriously amiss, and it appeared as though the EUB/ERCB and industry were silent partners in a big public liability conflict and cover-up, the very disturbing and dark liability themes behind the Bush/Cheney administration shale gas gangster “Halliburton Loop-Hole” passed just months earlier in 2005.

Two months previous to her banishment she made a seven-page submission through her company, Ernst Environmental Services, to the MAC meeting process on September 30, 2005, *Preliminary Findings Report of the CBM/NGC Multi-Stakeholder Advisory Committee*.

Adequate baseline data collection on groundwater quality, predicting and mitigating adverse impacts caused by CBM, has already been seriously neglected in the field. The CBM proponents, notably the giants, are drilling in a rush, have been for over two years already, with no CBM water protection plans in place.

EES concludes that the MAC work to date is not sufficient and is incapable of protecting Alberta’s aquifers or landowner water resources. The CBM giant in the Rosebud community stated at its Oct 26, 2004 Open House, that surface water is not used to prevent possible contamination of aquifers by bad or rushed drilling contractors. Seven months later, EES observed and photo documented the same giant CBM proponent using surface water for drilling. Worse yet, the statement made and later action by this proponent happened after area water wells had already shown contamination following a CBM well drilled with surface water. The proponent also made the false statement that the Horseshoe Canyon Play coals are dry; previous to making this statement the proponent had experienced an area CBM well produce fresh water causing some landowner water wells to go either dry or produce so little water livestock could not be watered. Some water wells during testing produced contaminated water – one with high levels of nitrogen; some of the contamination problems have still not yet been corrected.

Ernst had also made inquiries with Alberta’s top medical health official in September 2006. This was the official charged with the responsibility of ensuring the safety of Albertan’s health. That door was also later slammed shut.

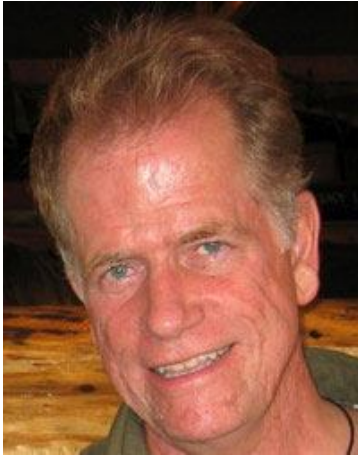
12-(7). Synergy’s Savage: The Sin-In-Us-Energy and Un-Holy Gas

Founder and president of **Savage Management Ltd.**, David Savage, credits himself in numerous internet sites, including his own website, for being the founder of Synergy Alberta as a non-profit in 2006. A claim such as this merits attention into Mr. Savage. There are numerous and diverse biographies on Savage, all of which help to define his career background.

The **Mobius Executive Leadership** website describes Savage as a “coach and organizational change agent:”

David Savage specializes in executive coaching, conflict management, negotiation, public consultation and management consulting. At the core of his work, Dave helps clients build better business relationships and more powerful, authentic, open and successful leadership teams. His approach can be simply stated as ‘energy, exploration and encouragement.’ He

is President of Savage Management Ltd., and contributes his expertise directly to clients and through innovative partnering with pioneering organizations. Dave has dedicated thirty-three years of his career to management in the Canadian petroleum industry in negotiations and business development, fifteen years to appropriate dispute resolution and more recently executive coaching.



*As a founding member and executive with the **Global Negotiation Insight Institute (GNII)**, Dave explores **modern applications of deeper wisdom** to high-level negotiations and disputes. The essence of the GNII mission is to use the Harvard Program on Negotiation's foundation of interest-based negotiation and move towards an approach based on insight. Dave was trained by the **Coaches Training Institute** and continues to be an active member of CTI. He practices co-active coaching with executive clients moving from success to significance in their careers and lives. He is also a member of **International Coaching Federation, the Association of Conflict Resolvers, and Mediators Beyond Borders.***

*Dave served as Vice President at a number of small Canadian petroleum, natural gas and diamond exploration firms including **BXL Energy, Westar Petroleum** (where he was the Chief Operating Officer and Board member), **TriQuest Energy, Sebring Energy, Sommer Energy, and Marmac Mines**. Dave is the founder and Chair of the **Company to Company ADR Council**, a founding member of the **Energy and Resources Conservation Board ADR Committee, Synergy Alberta** founding Board member, past President of the **Petroleum Joint Venture Association**, and past **Small Explorers and Producers Association of Canada (SEPAC)** Board member. Dave is an active member of the **Canadian Association of Petroleum Landmen, the Petroleum Joint Venture Association, the Kootenay Rockies Work Force Council, Calgary Chamber of Commerce, and founder of the Cranbrook Round Table**. He has an Economics degree from the University of Calgary.*

The Savage Management website provides a few more details of his career timelines, that Savage: is vice president and co-founder of Marmac Mines Ltd.; a former vice president of Sebring Energy (2005-2007); former vice president of TriQuest Energy (2002-2005); former vice president and co-founder of Sommer Energy (2001-2002); former vice president of BXL Energy (1996-2001); former coo and director of Westar Petroleum (1980-2001); and was with **Total Petroleum, Ashland Oil, Bank of Montreal, and the Bank of Commerce** (1974-1980). He was the former chair of the Alberta Roundtable on Interprovincial Trade (Chamber of Commerce), and former chair of the Calgary Chamber of Commerce Dispute Resolution Committee. He was the Alberta Executive Policy member of the **Canadian Association of Petroleum Producers**.

The *Linked-In* website that profiles individuals adds a few more details: member of the **Canadian Association of Professional Speakers**; president at **Negotiation Mastery Circle**; former board member of **Trails BC**; founding member of the **Professional Enneagram Association of Canada**; former member of the **Calgary Association of Professional Coaches**; a director of **Rosen Lake Ratepayers Association**; a convener of **World Cafe**; a participant in the **Kootenay Rockies Regional Economic Alliance**. Linked-In also includes Savage's "groups and associations:" **ACR; Associations Plus; Beyond Yes; Bluepoint Leadership Development; Conflict Coaching Guild; Exceptional Webinars; Executive Roundtable; Harvard Business Review; KAST** (community for

science, technology and entrepreneurs in the West Kootenay); Kootenay Business Council; **Learning Organization Practitioners**; **Linked 2 Leadership**; **Linke:Energy** (energy industry expertise); **Margaret Wheatley**; **Mediators and Peacemakers**; **Negotiation Know-How**; **SPANS** Negotiations Forum; **Speaking of IMPACT**; **TEC Canada** (executive committee); **Tech Village** (Kootenay Digital Media Community); the **Leadership Strategies Facilitation & Leadership Community**; the **Program on Negotiation**; **Upstream Professionals**. It also states that Savage was given the 2003 Distinguished Citizen of the Year award by the Canadian Association of Petroleum Landmen, and the 2010 Honoured member by the Petroleum Joint Venture Association.

The **Hemisphere Energy Corporation** website states that Savage is one of its advisors.

The **Spiritual Directions Centre** website, “a personal and spiritual development centre in Calgary,” has a profile on Savage, who is one of the Centre’s associates. The Centre includes a section called “Sustainability and Community Development”, and a descriptive of a “Building a Sustainable Future Conference.”

Savage’s biography on the Synergy Alberta website also says he was the chair of the **Company-to-Company (C2C) Dispute Resolution Task Force** (2002-2004). As someone meshed within the petroleum complex community, David Savage emerged as having a key role in inter-corporate, inter-corporate-government, and inter-corporate-government-public dispute resolution and mediation. As early as February 2000, Savage was on the EUB’s Steering Committee on the *Alternative Dispute Resolution Process as it Applies to Alberta Upstream Petroleum Applications*, representing the Small Explorers and Producers Association of Canada (SEPAC). The February 2000 EUB Terms of Reference document for this process states that with the

vast majority of the thousands of facility applications (wells, pipelines, batteries, and gas plants) received each year ... approximately 5 per cent of the developments involve some form of dissatisfaction, unresolved issues, or conflict which the applicant must address.... disputes between residents and petroleum companies appear to be increasing in numbers and intensity in recent years. The impact of disputes is significant in that it has the potential to have a negative impact on landowner-industry relationships.

It’s likely that Savage may have had a hand in getting the EUB to become a partner in the Synergy Alberta conference and petroleum industry synergy agenda in early 2002. As a professional landman on a committee with the Canadian Association of Petroleum Landmen (CAPL), public relations was always a primary concern, issues often featured in CAPL’s monthly magazines, *Nexus* and the *Negotiator*. In the March 2000 edition of the *Negotiator*, Savage is featured in CAPL’s national director of field acquisition and management Glenn Kruyssen’s message to members about Savage’s “front line” experience with landowners on the **Field Acquisition and Management Committee** (FAM) as a member of SEPAC. In the October 2000 issue of *Negotiator*, under *Oilpatch Stakeholders Help ADR Come True*, was a quote from CAPL’s Bob Garies: “Resource access has become the number one issue facing industry today and it is hopeful that ADR (Alternative Dispute Resolution) will aid and facilitate in the resolution of disputes that previously led to lengthy hearings, costly delays and damaged relationships with affected parties.” The May 2003 edition of *Negotiator* credits Savage as having “initiated and chaired the Industry Task Force on Alternative Dispute Resolution” with the EUB.

The ‘Landmen’ are the professional contractual brokers on petroleum development deals and issues for the petroleum industry, and there is big money in it, particularly now in the rush to obtain land

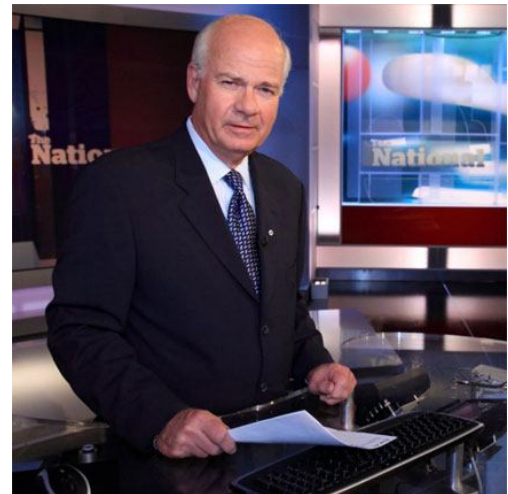
rights for shale gas fracking. However, the landmen are not always revered by landowners in North America. For instance, in the U.S. State of Ohio's Utica shales, a landman apparently and accidentally dropped something which fell on the driveway near the home of a landowner. It was later found by the owner who was spell-bound and astonished by its conniving, toxic contents. The professional landmen and the petroleum industry later distanced themselves and refuted the information found in the five page document marked "Proprietary - Do Not Disclose". It was laced with disinformation tactics and strategies, a real eye-opener into the behind-the-scenes motivations of the synergy frackers. It was soon and appropriately nicknamed *Landman-Gate*. (See Appendix E for the full document and an explanatory.)

The Canadian Association of Professional Landmen (CAPL) recently held their annual conference in Montreal, Quebec on September 25-28, 2011, at the Fairmont Le Chateau Frontenac. It was called *Anything But Conventional!*, and was sponsored by **Cenovus Energy, Encana, Questerre Energy, Apache Canada, Devon, Petrobakken, Talisman Energy, Baytex, Canadian Natural Resources Ltd., ConocoPhillips Canada, Quicksilver Resources, Nexen Inc., TAQA North, Synergy Land Services Ltd.,** etc. Quebec has become a serious problem for the Canadian and international frackers because of organized public resistance and a provincial quasi-moratorium on fracking. The petroleum industry has been diligently and carefully trying to crack the Quebec nut.

In the forum's promotion of fracking Canada and Quebec, Alberta tar sands company **Cenovus Energy** sponsored Canadian Broadcasting Company's national chief news correspondent and television anchor **Peter Mansbridge** as the keynote luncheon speaker on September 26th. A few Canadians raised their Canuck eyebrows over a year earlier when they learned that Mansbridge attended the four-day secretive annual Bilderberg Conference held in Spain. According to a June 9, 2010 article by Canadian parliamentary bureau reporter Bryn Weese, *Canadians take part in secretive Bilderberg conference*, neither the CBC nor federal taxdollars funded Mansbridge's visit.

On the final conference day, **Heenan Blaikie**, the Canadian law firm that sponsored the conference title, also sponsored the keynote luncheon speaker, former Prime Minister **Jean Chretien**, a colleague of the law firm. Heenan Blaikie was the primary sponsor of the conference, and its name appeared on the conference website beside the conference logo of a water droplet with a vertical line cutting the droplet in two: one side showing half of the Quebec flag symbol, the other half showing an oil derrick, and written below, *Anything But Conventional*. In its Calgary branch, Heenan Blaikie just rented the top two floors of the 20-story Penn West Plaza. Stated in the conference information set about the law firm:

We believe strongly in CAPL's pursuits and initiatives to continually improve and build strong foundations and relationships within the petroleum industry in Canada and abroad. When we heard this year's conference was being held in Québec City and that the theme was "Anything but Conventional" we felt this was an excellent opportunity for Heenan



Blaikie to offer its support and build an even stronger relationship between our firm and CAPL. Heenan Blaikie has become one of the leading law firms in Canada, with over 550 lawyers, in nine Canadian offices located in Alberta, British Columbia, Québec and Ontario and two international offices in Paris and Singapore.

At Heenan Blaikie we take pride in the unconventional legal advice we have developed and continue to provide to our clients. In particular, our Calgary office has built strong relationships within the oil & gas industry by providing legal advice and structuring transactions in unconventional ways, including: structuring of the exploreco spin-out, participating in the first trust-on-trust merger through plan of arrangement, managing large asset acquisitions with multiple purchasers and structuring several recapitalization transactions. As the petroleum industry continues to develop in unconventional ways, Heenan Blaikie continues to provide innovative legal services and advice to help lead the industry.

The firm's partner, Marie-Claude Bellemare, gave a presentation called *What are the Implications for Industry and the Future of Shale Development in Quebec* at the Eastern Canada Shale Gas Symposium on March 29, 2011 held at the Mont-Royal Hotel in Montreal. Bellemare joined the firm in 2009 after serving with forest company Tembec Industries Inc. as lead in-house counsel. The conference was hosted by **The Canadian Institute** and sponsored by **Questaerre Energy**, **Junex** and **Gastem**. On May 4-6, 2011 at IGUA's (**Industrial Gas User's Association's**) Spring Seminar in Gatineau, Quebec, firm partner Guy Sarault spoke under the session called *Gas Buyer Political & Regulatory Issues*.

The 'synergy' concept got to be so popular in Alberta that in 2007 the **Petroleum Synergy Group** was even formed using the name. It's website states that it "is comprised of five asset management associations: CAPL (Canadian Association of Petroleum Landmen), CAPLA (Canadian Association of Petroleum Land Administration), CAPP (Canadian Association of Petroleum Production Accountants), PASC (Petroleum Accountants Society of Canada) and PJVA (Petroleum Joint Venture Association)." Its mission is "to maximize the member associations' efficiencies by pooling resources and ideas in order to enhance members' education, development and influence."

12-(8). Synergy on the Loose - 2008 and Beyond

In its goal to make Alberta a synergized province by 2013, Synergy Alberta launched its 2008 conference in Red Deer, Alberta on October 27-29, called *Elements of Life*. The conference's four "gold sponsors" were ConocoPhillips, Encana, Nexen and Shell. It was a love-in and a 'spiritual' shindig at a new level of psychology, fusing together a wider net on Albertans. The conference opener was by ConocoPhillips's Rick Anderson who spoke on *The Value of Synergy*. David Savage gave a talk in the late afternoon of the first day called *Negotiation Mastery from the Inside Out*.

Alec Blyth, a hydrogeologist with the Alberta Research Council (now called Alberta Innovates: Technology Futures), spoke on *Potential Effects of Oil & Gas Development on Groundwater and Water Wells*. The conference descriptive on Blyth's talk emphasized a "holistic" approach for landowners to complain about possible contaminated water wells:

*Conventional Oil & Gas activities have been occurring in Alberta since the early 1900's. Coalbed Methane/Natural Gas in Coal activity has grown very quickly in the last few years. Public concern has been expressed over the increased potential for high CBM well densities, production in zones shallower than most other gas or oil plays in Alberta, and the negative experiences of landowners with CBM in the United States. **Several recent, high profile cases have been making news in Alberta, with land owners complaining that CBM operations have caused an increase in methane gas in their wells. Consultant investigations into these complaints have generally indicated that CBM operations did not impact the water wells, but the results were not entirely conclusive.** There are unique aspects, characteristics, and conditions which present challenges to understanding the potential effects (both quantity and quality) of Oil & Gas development on groundwater and aquifers. This presentation will examine the potential effects of energy resource activity on groundwater and **will describe an holistic approach to water well complaint investigations.***



The 2011 Synergy Alberta conference, *Working Together*, held in Red Deer, Alberta on October 24-26th, master of ceremony'd by David Savage, had a new focus: how to work together to start up a nuclear power plant for Alberta's tar sands. The president of CAPP, David Collyer, spoke on ensuring the petroleum industry's "social licence to develop and operate is maintained." Mike Dawson, the president of the **Canadian Society for Unconventional Resources**, advocated shale gas exploration and development, and addressed concerns about "public anxiety" and "groundwater protection." Dawson, a former researcher with Natural Resources Canada, became a keen industry advocate on the development of CBM in Alberta and Canada.

Patrick Moore, the chair of **GreenSpirit Strategies Ltd.**, a consultant for the nuclear industry, gave the keynote address on the final day, *Searching for a Sustainable Energy Future*. Moore was involved a similar type of synergizing in British Columbia in the 1990s. When the B.C. Council of Forest Industries hired international public relations giant Burson Marsteller in 1991 to help solve its strident public relations problems concerning the clearcutting rape, pillage, and slaughter of B.C.'s old growth forests, Patrick Moore was hired to facilitate COFI's objectives and ran the B.C. Forest Alliance alongside former IWA president Jack Munro, a front operation for the forest industry captains, which was affiliated with the umbrella 'community' operations of SHARE B.C. By the late 1990s and following, Moore was hired by the nuclear industry to help it sort out its beaten image, and began promoting nuclear energy development. In the conference biography, it states that Moore has developed "*a more sensible, science-based approach to environmentalism.*"



12-(9). The September 2011 Krakow Conferences

SHALE GAS IS CONTROVERSIAL

Poland, newly in the seat of the EU Presidency, appears oblivious to protests by environmentalists on shale gas. That government says the development of shale gas across the EU should obtain the status of a common EU project and says it intends to promote this development. The gas industry is swiftly stepping in to any gap in energy supply that may occur from moves away from nuclear power.

Environmentalists insist there is a risk of contamination of groundwater from shale gas extraction as a result of usage of chemicals for fracturing the rocks. This is in addition to landscape decimation, and there is a strong campaign developing against the exploitation of shale gas in the EU, particularly since one of the most influential Members of the European Parliament has called for a directive on the subject.¹⁵

The city of Krakow is located in Poland's southern-most province or voivodeship of Lesser Poland near the northern toe of the Carpathian mountains. It is one of Poland's oldest cities and was its former capital for five and half centuries. Since the new era of western democracy and capitalism in Poland from about 1990 onward, about 50 multinational companies are now operating within Krakow. In 2005, foreign direct investment in Krakow was reported to be in the neighbourhood of \$3.5 billion U.S.¹⁶

When the Nazis invaded Poland, Krakow became its General Government, and "more than 180 university professors and academics were arrested and sent" to concentration camps. When Stalin's Soviets arrived after the second world war "the intellectual and academic community of Krakow was put under total political control."¹⁷ Another sort of invader arrived in Krakow in September 2011 heralding a new synergy order to frack Poland's lands and people.

Two unconventional shale gas conferences with themes on public relations were held in Krakow within ten days of each other. The first on September 17-18th, was called *Communities - Environment - Law: The Case for Unconventional Gas Exploration in Poland*. The second, held from September 27-29th, was the **European Unconventional Gas Summit**. An earlier conference was held on September 5-8th in the city of Gdansk in Poland's northern province of Pomerania, called the **South Baltic Gas Forum**. The blitz of the September conferences were mostly likely planned as political prelude promotional mechanisms in anticipation of Poland's general election in early October 2011. With the re-election of Prime Minister Donald Trump, de-regulatory and tax concessions were promised for the frackers. A final 2011 international shale gas conference was planned for late November 2011 in the capital City of Warsaw to most likely celebrate the end of Poland's helm at the EU Presidency, a gala unconventional petroleum event that was pre-empted by protesters who mounted an invasion of their own. (See Chapter 13, *The Warsaw Incident*.)

12-(9-a). Krakow One

About a week after the news media hailed the entry of **Encana Corporation** in Poland, Encana International vice president Alastair Nichol appeared on the first panel of Saturday September 17, 2011. On the same panel were **Shell International's** vice president Graeme Smith, **Chevron's** John

¹⁵ Anita Pollack, European Consultant, *EU Report for EAC*, July 25, 2011.

¹⁶ Wikipedia, Krakow.

¹⁷ Ibid.

P. Claussen, **PNGiG**'s vice chair Marek Karabula, and **Gaz-System**'s chair Jan Chadam. The second panel, *Opportunities and Challenges for Local Communities*, included Krokowa mayor Henryk Doering, Slupsk City Prefect Slawomir Ziemianowicz, and Lublin City mayor Krzysztof Zuk.

Peggy Williams reported on Encana's Alastair Nichol on June 16, 2010 in the Oil and Gas Investor, *Challenges to Production of European Unconventional Gas Outlined*. Nichol made summary comments about the "challenges" for fracking Europe at the 2010 Global Unconventional Gas conference in Amsterdam, June 15-17th. If Europeans want what Encana wants, then things will have to change concerning: restricted surface access; "high water usage" and the "development of nonpotable water supplies will be a strategy to overcome this objection to shale drilling;" and the "regulatory environment," which "will be addressed if Europe's citizens decide that they need and want shale-gas development within their borders."

Delegates and speakers at the September 17-18, 2011 Krakow conference. The conference was held in the Siemiradzki Room of the Sukiennice Museum (also known as the Gallery of 19th Century Polish Art at Sukiennice) in Krakow's Old Town.



Henryk Siemiradzki's (1843-1902) collection of paintings and frescoes are seen here surrounding the delegates. Siemiradzki was recognized in 1873 for his Tolstoy-inspired painting *Christ and a Sinner*, an apt spiritual theme for the Krakow shale gas conference.

In the photo to the bottom right are the first panel members. Professor Brian Horsfield, with the **German Research Centre for Geosciences**, GFZ, Potsdam, is standing at the podium. Other panelists: Mikolaj Budzanowski (Poland's deputy minister of State Treasury); Jan Chadam (chair of Gaz-System S.A.); John P. Claussen (Chevron); Marek Karabula (PGNiG); Alastair Nichol (Encana); and Graeme Smith (Shell).



On the second day, September 18th, Ian Walker, the manager of the **Windsor Energy Group**, moderated a panel on *Community Perspective Abroad*. On that panel was councillor Peter Argyle from Aberdeenshire in Scotland; Dr. Kent Moors, on sabbatical from Catholic-based Dufresne University in Pittsburgh, U.S.; Mariusz Wawer from **Galubicz Garwolinska Consultants**; and Jakub Pawlaszek from **Fair Recruitment**. Given the backgrounds of the panel members, the meaning of "community" probably had more to do with the concerns of the petroleum 'community.'

The Windsor Energy Group (WEG), a focus component of **MEC International Limited**, examines energy geopolitics within a business intelligence framework. Its name originates from WEG's

annual meetings at the Windsor Castle, and its honorary chair is Lord Howell. Based in London, MEC helps its clients through “political risk analysis”, whereby its “directors and senior consultants” have “contact with a wide



range of key decision makers in politics and business” so as to provide “high level information and strategic advice in many areas including policy, relationship building, government relations, problem resolution and crisis management.”¹⁸ Four of MEC’s seven board members are former British ambassadors and diplomats. MEC’s managing director, Ian Walker, a political journalist, is a “specialist in corporate communications” and “worked for a number of governments, UK departments and leading multinational companies operating at board level.”¹⁹ MEC Board member John W. Wood has a lengthy and intriguing portfolio. It includes: being chairman of the communications strategy company **WBNR Ltd.**; emeritus chairman of the international arm of the U.S. Republican Party, **Republicans Abroad**; former special advisor to the U.S. Department of State on **Arms Control and International Security**; former director of the Oxford think tank, **Oxford Analytica**; former chair of the **Petersburg Development Corporation**; former director of **Lydgate Investments Ltd.**; and is the chairman of **Trilateral Group Ltd.** MEC also has another focus forum called the **Global Nuclear Initiative** (GNI), which is chaired by Lady Barbara Judge, former chair of the **UK Atomic Energy Agency**.

Dr. Kent Moors is a political science professor in the Graduate Center for Social and Public Policy at the **University of Dufresne** in Pittsburg, a Catholic research institution.²⁰ In September, 2005, Moors founded the **Energy Policy Research Group** at the Graduate Center to provide recommendations on energy issues.²¹ From an array of biographies, Moors is president of **ASIDA Inc.** (international oil & consulting company), a partner of **Risk Management Associates International LLP**, the editor of **The Oil and Energy Investor**, the editor of the **Energy Advocate**.



According to the Keppler Speakers website biography of Moors, he “joined the DOS (U.S. Department of State) **Global Shale Gas Initiative**, providing advisory services on the policy implications from unconventional gas development.” In other words, Moors was in deep with **David Goldwyn**’s international initiative with the U.S. State Department, however, there is nothing mentioned about Moors’ activities on the U.S. State Department’s website. The same biography states:

Moors has advised seven world governments (U.S., Russia, Kazakhstan, Iraq, Kurdistan, Bahamas and Uganda), governors of several states, premiers of two Canadian²² provinces and has been a consultant to private companies, financial institutions, civic movements/organizations and law firms in 27 countries.

¹⁸ MEC International Limited website, Expert Services.

¹⁹ Ibid., Ian Walker biography.

²⁰ The University states on its website that the “Office of Mission and Identity maintains and promotes the Catholic and Spiritan mission of the University and the values it espouses”, and that the “development of programs and initiatives” are an “understanding of the religious identity of the University and its commitments.”

²¹ *Duquesne Launches New Energy Policy Research Unit*, September 27, 2005, Duquesne archives.

²² From Moors’ discussion pages on promoting LNG export from western Canada, he most likely advised the Premiers of B.C. and Alberta.

In addition to conventional oil and gas, he has advised shale gas, coal bed methane, tight gas, shale oil and oil sands projects in the Marcellus, Barnett, Haynesville, Woodford, Fayetteville, Powder River, Piceance and Monterey basins in the U.S., the Athabasca, Alberta Bakken, Horn River and Montney basins in Canada, and unconventional gas projects in Poland, Germany and Morocco. His clients have included six of the world's top ten oil companies as well as leading oil and natural gas producers throughout Russia, the Caspian Basin, the Persian Gulf, North Africa, Europe and North America.

Moors is a contributor to internet sites *The Money Map Press* and *Money Morning*, where he is known as a “Global Energy Strategist”, someone who can guide anyone so interested into investing in his “Energy’s Inner Circle.” In the following quote, he is an intrepid shale gas salesman and quarterback:

I cut my energy teeth working backwater channels for the U.S. State Department in some of the most remote, energy-rich, and politically dangerous places on earth.

I’ve been smuggled in and out of Cold War Russia... I’ve been on the wrong end of the KGB... I’ve faced down African war lords... I’ve trudged the frozen tundra of arctic oil fields...

I’ve published over 750 articles on energy-related topics, lectured in 44 different countries, and have appeared as a commentator and analyst on over 1,500 radio and TV programs worldwide...

And along the way my global energy expertise has helped make many companies and many governments very, very rich.

Over the past 30 years, I’ve become energy consultant to multi-billion-dollar hedge funds, personal advisor to 6 of the top 10 oil companies on earth, and confidant to the people on the planet who control the majority of the world’s energy.

My access to those who control 90% of the world’s energy... and my ability to simply and clearly explain how to use that information... has rewarded many Energy Inner Circle readers with gains in just the last 6 months that trounced the S&P over the same time period by...

The LNG revolution – transforming the gas into a liquid and shipping in tankers, turning it back into a gas on the receiving side, and then injecting it into existing pipeline networks for delivery to retail customers – is already becoming one of the most important developments in hydrocarbons worldwide.

And it’s poised to grow exponentially with the coming NG super shift as natural gas is transported around the world.

So for a very limited time, you’ll have the inside track to energy super gains with a full year of my Energy Inner Circle for only \$2,999.

*But I must warn you. This exclusive Special Invitation offer will definitely expire within a short time. And it’s not something we may ever be offering again.*²³

In his *Money Morning* site, Moors wrote on November 30, 2011, *An Early Look at Things to Come*, about a recent trip he took to Frankfurt, Germany on “how to fund an expanding number of energy projects in Poland: Not just any projects, remember, but the exploitation of major unconventional shale gas basins that could literally change the energy face of Europe,” which includes “gas from shale deposits, coal bed methane, and tight gas.” Moors rambled on to say: “in September, Polish

²³ The Money Map Press. The Energy Inner Circle: The U.S. Government to Spark a Massive Super Shift in Energy.

Prime Minister Donald Tusk interrupted one of my presentations to a government commission meeting in Krakow to make this policy announcement!”

In another posting on *Money Morning* on November 23, 2011, *An Inside Look at Europe’s Energy Challenges*, Moors gives away his game plan (the strategy discussed in chapter 12 of this report, the *Poland Portal Party*) whereby Poland is seen as the key to fracking the rest of Europe:

Now reinvigorating the Polish picture is not going to do this on its own. Here is where it gets very interesting.

What takes place in Poland will expand elsewhere into Western Europe. There are shale gas reserves in Germany, Hungary, Austria, France, the Baltic countries, Sweden, and even the U.K.

Political opposition has suspended activities in France, and the Greens in Germany have given notice that they intend to target shale gas operations after their successes in phasing out the country’s nuclear power stations.

Poland, however, has no significant opposition to drilling. At least, not at the moment. But as I advised the government in September, that situation is likely to change as the number of wells increases. In order to combat any opposition, the country is going to need to access to drilling technologies developed in the Western Hemisphere, technologies that address the primary concerns about hydrofracking and horizontal drilling.

In a series of summary reports in *Money Morning* from September 14 to September 29, 2011, Moors writes about his trip to Poland, and about a proposal for **a new LNG terminal in northern Poland**, to “export” shale gas:

I am leaving for Krakow, Poland, early this morning.

During this trip, I will present what we have learned thus far in North American shale gas development before a meeting organized by the Polish government and chaired by President Bronisław Komorowski. What will take place in that room, however, is more than a simple exchange of data.

The government in Warsaw is about to open up these shale plays to major investment.

Before they do so, however, the authorities must set regulations for drilling, determine what environmental impact will take place, weigh the potential economic benefits and problems, and discuss how this newfound energy wealth is going to change lives.

Turns out that’s pretty much my job in Krakow; I will be advising on the policy challenges in each of these areas.

As I met with the Polish officials last Friday in Krakow to begin government sessions on shale gas policy, and European Union (EU) ministers met in the southwestern city of Wrocław, Poland, thoughts turned once again to oil pricing.

For one thing, the projections of how much unconventional gas Poland possesses keep increasing.

The government is now convinced the country will become self-sufficient in energy and begin exporting gas to the rest of Europe.

Yet the implications hardly stop there.

Several of the ministers at our meetings are talking openly about using a new liquefied natural gas (LNG) terminal under construction on the Baltic to move product into the broader global market.

*Moreover, the **rapid development of shale gas** will require the creation of an entirely new technical sector to service the fields, process the gas, and apply the newfound largess. This means a significant upgrading of the national gas network, and the laying of major new stretches of pipelines and pumping stations, along with a concerted move to employ the gas as feeder stock for the petrochemical industry.*

It is, therefore, hardly surprising that among the audience in Krakow were representatives from such field service powerhouses as Halliburton Co. (NYSE: HAL) and Schlumberger Ltd. (NYSE: SLB), European offices of international drilling companies, consulting agencies, research centers, and law firms.

And there will be plenty of work for all of them.

According to the conference program, **Canada's Minister of Natural Resources, Joe Oliver**, was scheduled to give an address to the conference on September 18th. It's not known if the Minister appeared there in person, or simply appeared through a live video feed. Prior to his election in May, 2011, Oliver, now 70 years of age, spent about 35 years in the investment business world. Almost all of his simple current biographies state that he began his career as an investment banker at Merrill Lynch Canada, and state that he served in senior portfolios with "other investment dealers" without disclosing the identity of those dealers - **Nesbitt Thomson** and **First Marathon Securities Limited**. He served with Merrill Lynch until 1982, then became a senior partner at Nesbitt Thomson (now BMO Nesbitt Burns Inc), and in 1991 became the executive director of the **Ontario Securities Commission**, and then chair of the **Investment Dealers Association of Canada** from 1995 - 2007. He was the vice president and director of investment banking at First Marathon Securities, 1993-1995.



Oliver also chaired the **Financial Services Council of Canada**, was the president and ceo of the **Mutual Fund Dealers Association**, a board member of **RS Inc.**, a board member of the **Canadian Capital Markets Association**, a board member of **CSI Global Education**, former chair of the **Advisory Committee of the International Council of Securities Associations**, former chair of the **Consultative Committee of the International Association of Securities Commissions**. Under his recent appointment by Canadian Prime Minister Stephen Harper, the president of the Canadian Association of Petroleum Producers David Collyer expressed his satisfaction in Oliver's appointment. The Minister was responsible for selling off the Atomic Energy of Canada Ltd to SNC-Lavalin Group which is chaired by Gwyn Morgan, the former ceo of Encana Corporation. The Minister has also attracted a lot of media and internet attention to his forthright advocacy of Alberta's tar sands and the Enbridge oil pipeline proposal from Alberta west to Kitimat, B.C.

On the last panel on September 18th, *Business, Local Communities, Government*, was **Encana's** vice president Richard Dunn; Piotr Wozny from **Grynhoff Wozny Partners at Law**; and Jakub Kostecki from **Newgaz S.A.** Encana has a glaring track record on environmental charges in the United States and elsewhere, and is currently facing a \$33 million lawsuit in Alberta filed by Jessica Ernst for allegedly poisoning her water well and aquifer.

12-(9-b). Krakow Two

At a conference fee of \$2,700 Euros (not including accommodation) for the three day event at the Hotel Novotel in Krakow, September 27-29, 2011, the European Unconventional Gas Summit, *Overcome Challenges - Unlock Potential*, was held some ten days before Poland's general election. In the conference program's opening statement by Zara Nathan, the conference director with *The Energy Exchange* responsible for organizing another shale gas conference, said:

As operating companies move towards pilot projects and edge closer to commercial unconventional gas production, the bottlenecks are increasingly being identified as non-technical.

Environmental concerns about water handling, storage, and disposal and aquifer contamination are entering the public arena, attracting widespread attention, aided by mainstream media coverage. How will the industry overcome the communication challenges in order to move forward? What needs to be done to foster public acceptance of unconventional gas? How can we prove that unconventional gas drilling is safe and the risks are negligible?

***These questions have shaped the agenda** of the European Unconventional Gas Summit, and we will look forward to hearing your thoughts and watching the debate develop when we meet in Krakow.*

Conference and public relations strategists engineered an aggressive angle for the event, whereby the petroleum industry would spar and pit itself against the evil U.S. Josh Fox documentary: "In answer to Gasland, and the associated media hype, we will examine a similarly powerful movie which will demonstrate the positive effect that unconventional gas development can have on local communities. Following the close of the afternoon session on conference day one Wednesday 28th September, we are proud to announce that we will be screening the award winning Haynesville."

The public relations oriented conference began with a 44-page power-point co-presentation by London-based Patrick d'Ancona and Chris McMahon, *Earthquakes, elections and environmentalists: communications shock and awe in the unconventional gas sector*.²⁴ McMahon was hired by **M:Communications** (M:Comm) in June 2011 after being an advisor to energy companies at **Buchanan Communications**. D'Ancona is the director or head of M:Comm's energy and renewables practice wing.



Bloomberg describes London-based M:Comm (current subsidiary of **DF King Worldwide**) as "an independent financial communications consultancy:"

The company offers advice on corporate reputation, mergers and acquisitions, and financial market communications. It offers services and experiences in the areas of long-term reputation building, sentiment turnaround and reputation development, senior executive counseling, media relations, investor relations, IPOs and ADR/GDR listings, crisis handling and litigation support, employee communications, public affairs and regulatory,

²⁴ The pro-fracking website, Natural Gas Europe, published an article on M:Communications' presentation in Krakow, *Communications Challenges in the Unconventional World*, September 28, 2011.

restructuring, and online/social media. M Communications (London) Limited was founded in 2002 and is based in London, the United Kingdom. The company has locations in Dubai, New York, London, Stockholm, Tokyo, Seoul, and Hong Kong. As of February 11, 2008, M Communications (London) Limited operates as a subsidiary of Sage Holdings, LLC.

Sage Holdings LLC changed its corporate name to DF King Worldwide in November 2009. Bloomberg states that DF King “provides corporate and financial communications, and stakeholder management services. Its services include integrated media and investor relations, global media strategy, crisis planning, public affairs and regulatory, M&A and capital markets event management, IPO and equity-raising activity, senior management coaching, and CSR positioning.”

Nick Miles and Hugh Morrison co-founded M:Comm in 2002. Bloomberg states that one of Mile’s specialities is in crisis communications, and that Morrison is “recognized as the world’s leading transaction communications adviser.” During the 1990s, M:Comm director Stuart Leasor “managed public awareness campaigns facilitating structural and fiscal reform in Bulgaria, Moldova, Poland, Romania, Russia, Slovenia and Ukraine.” According to information in PR Week, M:Comm acquired a head hunter to entice Patrick d’Ancona away from **Aquila Financial** which he co-founded with Peter Reilly in 2002,²⁵ an oil and gas public relations specialty company. Both co-founders were previously employed with **Enterprise Oil PLC** in charge of its public relations department, a company previously known as the UK’s largest independent oil exploration and production company. D’Ancona, as former head of its worldwide public relations, is attributed as having played a key role in **Royal Dutch Shell**’s \$6.2 billion acquisition of Enterprise Oil in February 2002, before he and Reilly formed Aquila Financial. One of M:Comm’s unconventional clients includes Norway’s **Statoil**, which has significant assets in shale gas in the United States and interests in Alberta’s tar sands, and the **Great Eastern Energy Corporation** with coalbed methane interests in India.

How can the industry make the unconventional conventional?

After evaluating which countries were and were not pro-fracking, and after making generalizations on media coverage in the United States and Europe on fracking, M:Comm’s public relations experts advised conference delegates in Krakow about the “semantic challenge for operators”, namely the negative connotations from the petroleum term “unconventional.” M:Comm said that because fracking, as a technology, is now fifty or more years old, “**it should be conventional by now!**”, that “it can in no way be called novel.” The presentation material underlined the following: “The industry’s attempts to ‘normalize’ fracking use will in large part depend upon the success of its communications strategies in general and stakeholder programme in particular.” In other words, the petroleum industry has two fracking fronts: advertising campaigns and synergizing the public.

Then came an analysis of the Gasland documentary, with main interpretive points on how “the Gasland effect” had swayed the public. The very fact that M:Comm decided to focus on Gasland is a tribute to its significance internationally. Gasland was reinforcing and awakening the ‘image’ problem for the petroleum industry: “generates instinctive lack of trust in oil companies;” “portrays big business in worst possible light;” “pro-fracking spokespeople presented as untrustworthy.”

²⁵ PR Week, June 3, 2005, *City & Corporate: D’Ancona Walks from Aquila*.

M:Comm said that Gasland failed “to engage in a sensible debate with the industry,” and in response industry should have a “neutral, soothing, female voice for reassuring maternal feel, not ‘big, bad oilman.’ “ The industry should counter by showing video reels “of unspoilt landscapes and happy families” with “footage of families with young children,” emphasizing that “natural gas provides energy security, 2.8 million jobs in the sector,” and how “fracking is the obvious route to employment, energy security and clean energy.”

Fear and loathing	<ul style="list-style-type: none"> • Highlights Gasland’s refusal to engage in a sensible debate with the industry • Neutral, soothing, female voice for reassuring maternal feel, not ‘big, bad oilman’
Presumption of environmental impact	<ul style="list-style-type: none"> • Disperses ‘myths’ and focusses on ‘facts, facts, facts’ • Natural gas portrayed and the route to a reduced environmental footprint
Plucks the heart strings	<ul style="list-style-type: none"> • Video reel of unspoilt landscapes and happy families • Natural Gas will benefit every one of us – families and suburban houses • It is a ‘gift’ and an ‘opportunity’ and we have a ‘responsibility’ to embrace it • Footage of families with young children – Natural Gas will help future generations
Focus on ‘Joe Six-pack’	<ul style="list-style-type: none"> • Takes the patriotic high ground by referring to people’s ‘rights to opinions and beliefs’ • Natural gas provides energy security • 2.8 million jobs in the sector • Fracking is the obvious route to employment, energy security and clean energy

Another slide called *Earthquakes* stated “there have been concerns about the impact that fracking can have on the geology of an area - **no proof has been offered.**” About a month before the conference, the *News from Poland* website published an article on August 30, 2011, *Shale gas fracking ‘does not cause earthquakes.’* Poland’s deputy Environment Minister, and one of Poland’s leading geologists, Henryk Jezierski stated that his ministry was in the middle of “a special monitoring programme” to investigate “all environmental aspects of shale gas prospecting,” and alleviated public concerns saying that the Ministry’s “tests in Pomerania” do “not cause seismic events.” Large reoccurring seismic events recorded in northeast British Columbia in the Horn River and Montney shale fracking zones were demonstrating the relationship between fracking and earthquakes. Studies in the United States since the 1960s were also showing the same.

When Cuadrilla Resources (55 percent owned by Australian-based mining service company **AJ Lucas**), the first energy company to frack the UK for shale gas, started to brute-force frack its 3 wells located 8 kilometres east of Blackpool City on England’s Lancashire coast, the British Geological Survey’s seismic equipment registered minor earthquake activities in the immediate area. On April 1st, a 2.3 magnitude quake, and on May 27th a 1.5 magnitude quake, epicentres within 500 metres of the drilling site. 48 smaller additional “induced seismicity” events also occurred during Cuadrilla’s fracks.

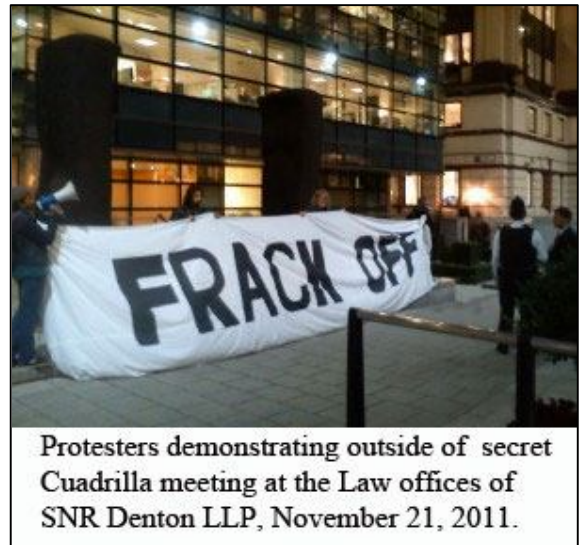
Enticed by profits in Europe’s high-end world gas prices, Sydney-Australia Allan Campbell, chair and ceo of AJ Lucas, founded Cuadrilla Resources in 2007 together with U.S. Denver geology professor Chris Cornelius, and obtained shale gas concessions in the UK - the only company licensed to develop shale gas in the UK. When the earthquake news hit the media fan, Cuadrilla was forced to shut down its operations until things got sorted out by way of a report. On June 1, 2011, the Sunday Morning Herald reported, *UK gas drilling halted after quakes*, that Cuadrilla Resources and the British Geological Survey suspended Cuadrilla’s fracking operations. *The Australian* business news journal reported on October 11, 2011, *Mining Services company AJ Lucas holds*

55pc stake in UK's huge gas discovery, that Cuadrilla intends to drill some “800 holes in the area, assuming production drilling is allowed to go ahead.” The company “suspended drilling after the completion of five of 12 planned “fracs” “ in its Preese Hall well. Campbell admitted that “while the risk in the oil business was in exploration, the risk in unconventional gas was mainly political.”

The earthquake events created other sorts of tremors. It caused great anxiety with pro-fracking British MP's on the Commons Energy and Climate Change Committee who had just approved fracking in the UK following a six month review process on fracking. The incident also created a big stir in the EU's fracking community which was in the middle of pushing fracking in Poland, which no doubt produced added workload for the numerous public relation firms already under contract.

An August 8, 2011 article, *Communications key to energy company survival*, posted on the internet's *The Every Curious PR Guy*, related the public relations problems confronted by Cuadrilla's ceo Mark Miller. The Wall Street Journal reported on July 28, 2011, *Fracking Pioneers Pierce Europe*, that Miller, “an oil-industry veteran from Pennsylvania,” “began a series of public meetings to try to calm local jitters,” and how Miller “didn't expect to be quite so much in the public eye.” The PR article suggested adopting “the new-school energy industry mentality,” by “instilling confidence” with “the myriad people.”

About 2 weeks after the M:Comm presentation in Krakow aimed at reassuring the public about the earthquakes, the *Gas Strategies* website reported on October 18, 2011 that on October 15th - some two weeks before a report on the earthquakes was released - the British Geological Survey stated “that correlations can be drawn between the earthquakes reported earlier in 2011 and Cuadrilla's fracking operations, located close to the site of the tremors.” On the day the British Geological Survey released its report, November 2nd, *Geomechanical Study of Bowland Shale Seismicity*, a report financed by Cuadrilla Resources, international media reported on how Cuadrilla's fracking was most likely responsible for creating the earthquakes.



Lawyers with UK's King & Spalding announced on December 1, 2011, *Focus on shale gas in the UK: current developments and regulatory considerations*, that the earthquake report “is likely to re-open the debate in the UK about “fracking” and its potential environmental effects, a debate that has already seen France ban the process entirely. The UK Government's Department of Energy and Climate Change (DECC) is now due to review the implications of the report in consultation with key regulators and independent experts before it makes any final decision on the resumption of shale gas operations:”

A licensee must also acquire planning permission to develop a drill site from the relevant Local Government Authority before any shale gas exploration activity can commence. Shale gas developers in the UK face more complex planning issues than US counterparts. The UK is considerably smaller and more densely populated than the US, with one of the world's most regulated planning regimes. There are no hydrocarbon or shale specific planning laws

and the Town & Country Planning Acts of 1990, 2004, and 2008 apply to shale developments as they do to any other commercial or residential development. A separate application is required for each stage: exploration; appraisal; and full development. Generally, only the application for full development must be accompanied by an environmental impact assessment, but a planning officer may require additional information at any stage if there are specific concerns. In its deliberations, the Local Authority must consult with certain groups such as the Environment Agency and any site-specific interested groups, such as Natural England or the Royal Society for the Protection of Birds. A licensee must also evidence that it has informed and consulted the local public on the development. If granted, the planning permission may contain conditions, such as restrictions on drilling hours, or a requirement to prepare and implement plans for site restoration or waste and water management.

India's news agency, *The Hindu*, reported on October 24, 2011, *Expert says quakes in England may be tied to gas extraction*, that the British earthquake study was forcing American seismologists to pay closer attention to data in the United States:

Fracking is now widespread in the United States, and has been blamed by some landowners, environmentalists and public officials for contaminating waterways and drinking water supplies. Some critics have also said that the technology could cause significant earthquakes. But Stephen Horton, a seismologist at the University of Memphis, said, "Generally speaking, fracking doesn't create earthquakes that are large enough to be felt." Even so, Mr. Horton said that after looking at the British Geological Survey's analysis of the Blackpool earthquakes, "the conclusions are reasonable."

Mr. Horton and others investigated a swarm of earthquakes in 2010 and 2011, including one of magnitude 4.7, in an area of central Arkansas where fracking was being conducted. The scientists found that the earthquakes were probably caused not by fracking but by the disposal of waste liquids from the process into other wells. Those wells have since been shut down.

The global discussion and attention evoked some investigators in the United States to source out similar problems that occurred in Oklahoma. A November 2, 2011 article by Joe Romm, *Shale Shocked: "Highly Probable" Fracking Caused U.K. Earthquakes, and It's Linked to Oklahoma Temblors*, stated that "a previously **unreported study** out of the Oklahoma Geological Survey has found that hydraulic fracturing may have triggered a swarm of small earthquakes earlier this year in Oklahoma." Austin Holland's August 2011 Oklahoma Geological Survey report, *Examination of Possibly Induced Seismicity from Hydraulic Fracturing in the Eola Field, Garvin County, Oklahoma*, said that the majority of the 50 earthquakes, measuring between 1.0 to 2.8, occurred within a 24-hour period nearby the Picket Unit B well 4-18, "about seven hours after the first and deepest hydraulic fracturing stage." A Garvin County resident reported "feeling several earthquakes throughout the night" from January 17-18, 2011, who reported the incident to the Oklahoma Geological Survey. Holland reported that similar reports related to fracking occurred in June 1978 and sometime in 1990.

Hydraulic fracturing operations began on Monday January 17, 2011 at approximately 6 AM (CST), 12:00 UTC. The hydraulic fracturing of the well consisted of a four-stage hydraulic fracturing operation with frac intervals of 9,830'-10,282', 8,890'-8326', 7,662'-8,128', and 7,000'-7,562', with the last frac stage completed on January 23, 2011. The well

was then flushed until February 6, 2011. Because the earthquakes began after the first frac stage we will primarily consider this stage. The first frac stage had an average rate of injection of 88.5 bpm and an average injection pressure of 4850 psi. This stage also included an acid stimulation. There was a total of 2,475,545 gallons of frac fluid injected and 575,974 lbs of proppant. The Picket Unit B well 4-18 is a nearly vertical well located at 34.55272-97.44580, elevation 277.4 m, with an API number of 049-24797. The first frac occurred in the interval between 9,830' (2,996.2 m), and 10,282' (3,134.0 m).

Round table two: what needs to happen to change the stalemate in France?

- Understand how to prove the safety of fracking and overcome public and political concerns
- Overcome the challenges of densely populated areas in order to increase energy security
- Demonstrate the and socio-economic benefits of unconventional gas
- Understand how public support can translate to political support and gain insight into how to effectively communicate your message
- Hear how to avoid Paris becoming the new Pennsylvania by ensuring clear, transparent communication is maintained with the public and the politicians

Bertrand Montembault, Partner, **Herbert Smith Mark Katrosh**, President, **Hess Oil France**

Round table three: Ukraine: second generation unconventional gas in Europe

- Hear the latest developments in government support for unconventional gas projects in Ukraine
- Gain insight into the opportunities for investment and land acquisition
- Hear about the next stages in the licensing agreements

Cut outs from the Krakow unconventional gas conference program, September 27-29, 2011.



10:30 Morning coffee and networking

11:00 Panel discussion: how does Europe really feel about unconventional gas?

- What will the Polish Presidency of the EU Council mean for unconventional gas development?
- Aligning regional, national and international policies to facilitate the smooth establishment of an unconventional gas market
- Foster inter-agency support by in order to prepare for pilot project and eventual commercial stage unconventional gas deployment
- What will it take for governments to grant licences?
- Understand what the regulators need in order to overcome political pressure and expedite unconventional gas development
- Where to next for German unconventional gas?: assessing the basins in Lower Saxony and North Rhine-Westphalia – what is really in the ground and what are the estimates for recoverable reserves?
- Translating recoverable reserves into socio-economic benefits

13:00 Lunch and networking

14:00 Panel discussion: how will unconventional gas in Poland really play out?

- Understand how to work with the regulators to optimise your position in Poland
- How will infrastructure scale up as unconventional gas commercialisation approaches?
- How will national and international legislation tie in as Poland works with the EU?
- Understand the implications for Poland's low carbon economy as a result of developing unconventional gas – could Poland become the pioneer of Europe's energy future?
- With increasing pressure to move away from coal, what does a shale gas fuelled power generation market look like?
- Hear latest results from test drilling in Poland and forecasts for upcoming pilot projects
- Hear the view from the ground: landman activities in Poland and public perception of shale gas development

09:10 Understand how to communicate your message effectively to optimise your unconventional gas project

- Hear best practices from leading operators who are actively working with the public to foster understanding and tolerance for unconventional gas projects in Europe
- Understand how to achieve political support for your project by working with the policy makers and regulators
- Gain insight into how to work with your solution providers to ensure an open, transparent path through test drilling to pilot project stage
- Pave the way for full scale commercialisation by understanding the requirements across the value chain both horizontally and vertically

Jim Johnston, Board Member, **ExxonMobil Exploration & Production Poland**

Wieslaw Prugar, President of the Management Board, **OPPPW, Orlen Upstream**

16:00 Understand the legal implications for unconventional gas development

- Shale gas exploration in Poland: is it safe for people and environment?
- Shale gas financing: raising capital in London
- Shale gas environmental management issues: legal and regulatory lessons from recent US shale gas plays

Tomasz Dobrowolski, Partner, K&L Gates

Paul Tetlow, Partner, K&L Gates

Timothy Weston, Partner, K&L Gates

12-(10). PsyOpsGate: Unconventional Public Relations at Halloween Houston

“The issue of transparency is that of being proactive with that transparency.” (Matt Pitzarella, Director of Corporate Communications & Public Affairs, Range Resources, vice chairman of America’s Natural Gas Alliance, and chair of the Marcellus Shale Coalition’s Communications Subcommittee, October 31, 2011, Houston, Texas.)

Six and a half years after the petroleum sector complex got the Republican Bush/Cheney administration to implement the reprehensible and scandal-laden Halliburton Loop-Hole exemptions from the federal *Safe Drinking Water* and *Fresh Water Acts* in mid-2005 to legally justify the indiscriminate carpet-frack-bombing of the U.S., and following thematic conferences in Alberta and Poland in September 2011 on problems about managing the public, came the shocking revelation at an unconventional public relations gas conference in Houston, Texas that U.S. petroleum companies were implementing military strategies and hiring military personnel experienced in Psy-Ops to infiltrate and treat American citizens concerned or opposed to shale gas developments as “insurgents,” and advising the public relations industry at the conference to do the same for their clients in the petroleum sector! It wasn’t enough that America’s federal laws were bent to frequent-frack the United States, but now U.S. energy companies were openly admitting through their shameless communications officers that they had been spying on and infiltrating the American public who were apparently interfering with something called ‘energy security.’

The irony of it all was that it happened on Halloween day, of all days, at the October 31-November 1, 2011 conference, *Working Together as an Industry to Leverage Mass Media, Social Media & Community Support - To Overcome Public Concern Over Hydraulic Fracturing*, held in Houston, Texas at the Hyatt Regency Hotel. As reported in the media afterwards, Sharon Wilson - alias *Texas Sharon*, known for her ongoing work on monitoring unconventional fracking developments in Texas on her website, *BlueDaze Drilling Reform* - paid the \$1,300 to get into the conference and audio-taped the proceedings. She then handed over the juicy bits to U.S. news agency CNBC which posted the story on the internet on November 8, 2011, *Oil Executive: Military-Style ‘Psy Ops’ Experience Applied.*



The web-linked audio clips spread like wild fire. It should have been video taped,²⁶ and then shared with the rest of the world.

Steve Horn, who runs a reporting blog page on the website *DeSmogBlog*, was granted an advanced press pass to the conference and flew across the southern U.S. only to discover at the conference foyer registration table that he had been barred entry. Is this the exclusionary zone of the “transparency” theme that the fracking communications officers keep talking about, and was this, as stated in the conference title, the way “to overcome public concern over hydraulic fracturing?”

On September 19th, six weeks before the conference, Horn published a short summary of the upcoming conference, *Natural Gas Media and Stakeholder Relations Professionals to Head to Houston*. Maybe Horn got too close to the horns of the PR fracking beast when he disclosed the following in his blog about the conference:

*Many have claimed that the fracking process has contaminated their water, and the natural gas industry has been the subject of sharp scrutiny as of late, most recently at a protest called “**Shale Gas Outrage**,” which took place outside of the Philadelphia Convention Center, where the **Shale Gas Insight Conference** was taking place. On the heels of this most recent outburst, Public Relations, Stakeholder Relations, Community Relations, Crisis Management, Social Media, and Government Relations professionals, among others, will host a conference titled, “Media and Stakeholder Relations: Hydraulic Fracturing Initiative 2011.”*

*In an email blast written to prospective attendees of the conference, **Michael Basile**, Media and Stakeholder Relations Hydraulic Fracturing Initiative Co-Chair and Managing Member of **Spilman Thomas & Battle, PLLC**, outlined the overarching goal of the conference, stating:*

***Despite considerable efforts** by individual companies and trade groups alike to analytically educate and inform the public as to both the process of fracking and the tremendous economic upside associated with shale drilling, there **continues to be misinformation force fed to the public leading to distrust and hostility toward the industry**. In short, it is clear that we need more effective, cohesive and coordinated media and communication strategies. **The opportunities presented at the upcoming conference truly represent a new communication dynamic - a new set of tactics and points of engagement. [This] is the first step toward reshaping a new communications paradigm** and thus an event you cannot afford to miss.*

Was Michael Basile - a speaker at the Houston conference - referring, in part, to a new aggressive military, psy-ops style, communications paradigm?

According to DeSmogBlog Brendan DeMelle’s post-conference account on November 9, 2011, *Gas Fracking Industry Using Military Psychological Warfare Tactics and Personnel in U.S. Communities*, Horn, who “wasn’t welcomed,” eventually gained entry later the first day of the conference after many discussions with conference organizers, and after the some of the most

²⁶ According to Sharon Wilson, the conference organizers taped the conference. The entire audio clips of two presenters, Matt Pitzarella (Range Resources) and Matt Carmichael (Anadarko Petroleum), are on the BlueDaze website, www.texassharon.com, which were analyzed for this report - P.S.: Thank you Texas Sharon for doing it!

controversial panel episodes on the first day of the conference. Could it be that Horn was being specifically excluded to allow some speakers to speak ‘more freely’?

The following was stated on the conference website about the theme of the Houston Halloween conference:

As the shale gas and tight oil boom continues apace, one of the key obstacles threatening these resources as long term contributors to North American energy security is increasing public concern over hydraulic fracturing.

*The unconventional oil & gas industry now faces scrutiny on a daily basis from the media, NGOs and the public on issues relating to claims about the impact of hydraulic fracturing on water resources. Additionally, the power of social media is allowing misinformation and the environmentalist agenda to be spread at an increasingly rapid rate. **The need for a united front to project a transparent and accurate account of the process has never been more important to ensuring the sustainability of the industry and protect it from calls for intrusive regulation.***

*Because of this, **devising a comprehensive media and stakeholder relations strategy**, leveraging mass media, social media and grassroots community support to overcome public concern over hydraulic fracturing has become of central importance to the commercial viability of unconventional oil & gas operators.*

***Media & Stakeholder Relations: Hydraulic Fracturing Initiative 2011** will bring together senior communications professionals from leading unconventional oil & gas operators, including social media industry pioneers and media and stakeholder relations specialists to drive proactive media relations strategies, stakeholder engagement plans, employee and stakeholder advocacy and crisis communications strategy to determine best practices for engaging the public on a positive image for the shale gas industry.*

Whatever the possibilities for a “positive image for the shale gas industry” could have been were negated and forever lost because of what at least two of the public relations presenters said to the delegates, and, to the world. And, after their taped comments hit the internet, one of them even suggested that Sharon Wilson was herself to blame for doctoring the tapes she gave to CNBC. As ‘professional’ communications officers employed by some of the top U.S. fracking companies, they made the biggest of all boo-boos. They should have known better than to dig themselves and their companies into a hole deeper and darker than all the deepest and darkest holes drilled by the frackers to date, namely the intrigue of PsyOpsGate!

12-(10-a). Darko Anadarko

Matt Carmichael, the manager of external affairs at **Anadarko Petroleum**, was on the first conference panel on October 31st with two other panelists, **Chesapeake Energy**’s vice president of strategic affairs and public relations **Michael Kehs**, and **Norse Energy**’s executive vice president of regulatory and public relations **Dennis Holbrook**. The panel theme was called *Understanding how Unconventional Oil & Gas Operators have Successfully Developed a Comprehensive Media Relations Strategy to Engage Stakeholders and Educate the Public.*

CONFERENCE SPEAKERS - PRIVATE INDUSTRY COMMUNICATIONS OFFICERS



Chesapeake Energy Corp.
Michael D. Kehs
Vice President for Strategic
Affairs and Public Relations
(May, 2011)

28 years as a public affairs consultant for several of the leading global public relations agencies. Former General Manager of the Washington Office, and Head of U.S. Public Affairs for **Hill & Knowlton, Inc.** He worked for **Porter Novelli, Inc.** from 2003 to 2008, **Goddard Claussen** from 1999 to 2003 and **Burson-Marsteller, Inc.** from 1987 to 1999. He began his career in public affairs consulting at **Wagner & Baroody, Inc.** in 1983.



Chesapeake Energy Corp.
Blake Jackson
Social Media Coordinator

Former multimedia journalist at Webby Award nominee **NewsOK.com**. He leads a national social media team of eight from the company's corporate headquarters in Oklahoma City. Chesapeake's industry-leading social media program is comprised of more than 20 presences across various online communities such as Facebook, Twitter, YouTube and LinkedIn, among others.



Range Resources
Matt Pitzarella
Director of Corporate Communications
& Public Affairs

Manages a staff of professionals who work with landowners, policy makers, local businesses, conservation groups, and other engaged stakeholders on responsible natural gas development in Pennsylvania, while serving as the company's primary spokesperson. Matt has more than a decade of public affairs, regulatory, legislative, and outreach experience in the Commonwealth and abroad. Prior to joining Range, he held similar roles with **NiSource**, **Duquesne Light** and **Burson-Marsteller** as a Senior Associate and worked extensively on energy matters. In addition to his role at Range, he chairs the **Marcellus Shale Coalition Communications Subcommittee** and as the sub-chairman for **America's Natural Gas Alliance** in Pennsylvania.



Encana Oil & Gas (USA)
Doug Hock
Director of Public &
Community Affairs

He has worked in public relations for 25 years, the majority of it in the oil/gas and mining sectors. He is a past president of the **Colorado Chapter of the Public Relations Society of America (PRSA)**. Mr. Hock serves on the board of **Florence Crittenton Services**, a Denver-based non-profit that helps teen parents raise healthy families and on the board of the **American Lung Association-Colorado**. He currently chairs the **Resource Allocation Committee** for Denver's Road Home, the city's ten-year plan to end homelessness.



Anadarko Petroleum
Matt Carmichael
Manager of External Affairs

He is involved in government affairs and grassroots stakeholder engagement in the U.S. He has worked in the media relations, policy, government and public affairs sector in the oil and gas industry for more than a decade. Matt has combined his early work in politics and government in Louisiana with his knowledge of the oil and gas industry to assist in his current role. Matt began his career in the industry in the mid-1990s as a drilling technician at **Ocean Energy** and eventually moved on to **Chevron, USA** where he worked in domestic and international policy, government and public affairs roles. Matt joined Anadarko in 2008. Served in the **United States Marine Corps**. He has worked on policy and public affairs issues on four continents.



Anadarko Petroleum
Brad Miller - General Manager,
Regulatory Affairs

Since 1985 in operations and management for Anadarko. Mr. Miller has managed Anadarko assets in complex regulatory environments including areas located on federal lands in the Rocky Mountain region since 1999. Miller was promoted to Asset General Manager in 2006 and most recently to General Manager of Regulatory Affairs in 2011. Miller also serves as Vice President of Western Energy Alliance an Oil and Natural Gas Industry trade organization focused on Public Land Advocacy.



Norse Energy
Dennis Holbrook
Executive Vice President
Regulatory and Public Relations
(October 2008)

Over 35 years experience in the energy industry, focusing on legal, public policy, contractual and regulatory matters. He has a B.A. in political science from Bucknell University, a Juris Doctorate from the Columbus School of Law, Catholic University and is also a graduate of the Executive Development Program of the University of Michigan, Graduate School of Business Administration. Serves on the board of directors of both public service and industry organizations, including the **Independent Oil & Gas Association of New York**, on which he has served as a director for over 25 years.



EQT Corporation
Kevin West
Managing Director of
External Affairs
(March, 2009)

Served as the Vice President of Legislative and Regulatory Affairs for EQT's production subsidiary. He joined EQT in June, 2007 as Vice President and General Counsel of the production subsidiary. For the twenty one years prior to joining EQT, he was a partner in the Lexington, Kentucky law firm of **McCoy, West, and Franklin** where the primary focus of his practice was energy law and litigation. He has given presentations for the Energy & Mineral Law Foundation and a number of other energy related organizations. He serves on the Board of Directors of the **Kentucky Oil and Gas Association** and **Virginia Oil and Gas Association**.



Apache Corporation
Anne Hedrich
Manager e-Communications
& International Affairs

She manages Apache's portfolio of websites including the corporate, project and crisis communications sites, as well as the employee communications on the company intranet. Mrs. Hedrich also leads the company's social media activities on Facebook, LinkedIn, YouTube, Twitter, and StockTwits, and in social media policy development. Mrs. Hedrich has over 20 years of experience in public and investor relations with specialization in web communications. She holds a bachelor's degree in computer information systems from Our Lady of the Lake University. She is a member of the **Public Relations Society of America**.



CONSOL Energy
Lynn Seay
Director of Media Relations

Lynn is responsible for developing and implementing the company's strategic objectives with regard to media and public relations. She has 25+ years of experience in a variety of marketing disciplines including public relations planning and execution, media and analyst relations, executive visibility programs, employee relations, B2B and consumer brand or product launches, and positioning/launching of early stage companies. Co-founder and Partner of **prwerks, LLC**, Lynn built and grew a successful public relations agency that was ranked in the Top 20 PR agencies by The Pittsburgh Business Times. At **Ketchum/Pittsburgh**, Lynn served as a Senior Account Executive and helped build its technology practice; promoted to Vice President, she led several national and regional account teams. Before returning to her native Pittsburgh in 1996, Lynn was employed at several major publications in New York City and Texas in the public relations, promotion/marketing, and advertising departments, including Rolling Stone, US, and Texas Monthly.



Williams
Nicole Nascenzi
Corporate Communications

She works in corporate communications for Williams, a Tulsa-based integrated natural gas company focused on exploration and production, midstream gathering and processing, and interstate natural gas transportation. Nicole worked as the public relations coordinator for Oklahoma's fastest-growing university and as a beat reporter for Tulsa's largest newspaper.

Excerpts from the Houston shale gas public relations conference program on speaker photos and biographies. A number of the biographies lack background information on naming previous company employment histories.

CONFERENCE SPEAKERS - PETROLEUM ASSOCIATION COMMUNICATIONS OFFICERS



America's Natural Gas Alliance
Dan Whitten
Vice President of
Strategic Communications

Dan comes to ANGA after serving for three years as **Bloomberg News'** energy reporter in Washington, where he covered legislative, regulatory and financial aspects of U.S. climate and energy policy debates. Through his work, Dan established strong relationships with the national and trade press following these issues, as well as the industry and policy players from both parties who are shaping the nation's efforts to embrace cleaner, smarter energy choices. Prior to working at Bloomberg, Whitten spent four years as the primary congressional correspondent for **Platts**, a **McGraw- Hill Co. energy publisher**. At Platts, his news analyses probed the regional and partisan alignments that dictate energy policy, and he spoke frequently to energy secretaries, congressional chairmen and caucus leaders about policies to boost domestic energy supplies, ease global warming and raise vehicle fuel economy. Dan's previous experience includes a decade of reporting on policy issues for trade publications in the transportation and chemical industry sectors. He was won numerous awards from the American Society for Business Publication Editors.



Colorado Oil & Gas Association
Tisha Conoly Schuller
President & CEO

Ms. Schuller is responsible for leading the industry in Colorado legislative, regulatory, and public relations matters. Previously, Ms. Schuller served as a Principal and Vice President with **Tetra Tech**, a national environmental consulting and engineering firm. In addition to running business operations, Ms. Schuller spent 15 years conducting environmental permitting for oil and natural gas projects across the country.



American Petroleum Institute
Tara Anderson
Director of External Mobilization

She brings more than a decade of public affairs and state and federal director of external mobilization at the American Petroleum Institute (API). Anderson currently manages the development and execution of API's mobilization initiatives. Working with facility employees, allied stakeholders, regional associations and vendors, she manages the integrated advocacy efforts for grassroots and grasstops programs, including API's Energy Nation and Energy Citizens groups. Prior to joining API, Anderson served as the director of public affairs for the **National Association of Manufacturers (NAM)** between 2003 – 2011. There, she managed grassroots and grasstops lobbying efforts, providing advocacy strategies for NAM member companies to cultivate relationships with elected officials. Previously, Anderson led the **Coalition Against Bigger Trucks** as its state director, a role in which she managed lobbying efforts for local, state and federal government officials in Alabama, Arkansas and Florida. Anderson also served as a constituent services representative in the U.S. Senate for **Sen. Gordon H. Smith**, and occupied legislative assistant roles for **The Legislative Strategies Group, LLC**, and **Deere & Company**, where she was responsible for monitoring and reporting on legislation and coordinating events with Congressional members.



Western Energy Alliance
Jon Haubert
Manager of Communications

Manages internal and external communications for Western Energy Alliance, a trade association representing over 400 companies engaged in all aspects of exploration and production of oil and natural gas in the West. Jon specializes in congressional legislative and communications strategies relating to western energy and environmental policy issues. Prior to Western Energy Alliance, Jon worked in Washington DC at a private sector lobbying firm and congressional aide to Representative Richard Pombo (R-CA), former Chair of the House Resources Committee.



American Petroleum Institute
Linda Schoumacher Rozett
VP of Communications

She combines a dozen years as an **ABC News producer**, covering a range of business and political news, with more than a dozen years as a communications expert, managing complex and high visibility campaigns for four business organizations, serving as a strategic adviser to CEO's, policymakers, and a presidential campaign. As vice president for communications at the American Petroleum Institute, Ms. Rozett is responsible for analyzing issues of importance to the U.S. oil and natural gas industry, and identifying communications messages, audiences, priorities and goals. Previously, Ms. Rozett ran her own public relations company, **FirstWord Strategies**, where she developed and executed successful communications strategies on issues of public concern, including: immigration, energy, trade, piracy and counterfeiting, and government regulation. Ms. Rozett served as communications director for **Senator Fred Thompson's presidential exploratory committee in 2007**, where she established communications capabilities for the nascent campaign committee, including media, research, and web-based outreach. Prior to serving with Senator Thompson, she was **chief of staff and senior vice president of communications for the U.S. Chamber of Commerce**, the world's largest business federation. She worked for two national energy trade associations before joining the Chamber: the **Edison Electric Institute** and the **Natural Gas Supply Association**.



Independent Petroleum Association of America
Jeff Eshelman
Vice President of Public Affairs and Communications

The Independent Petroleum Assn. of America is the national trade association representing the companies that drill 95 percent of America's oil and natural gas wells. At IPAA for 15 years, he is responsible for media relations, public policy communications, grassroots outreach, reputation management, marketing, publications and member communications. Jeff helped create and currently manages the industry's environmental issues coalition, **Energy In Depth**. He has also worked at **global public affairs firms, the White House, Defense Department and U.S. House of Representatives**.



Energy In Depth
Chris Tucker
Spokesperson

He is a Senior Vice president at **Financial Dynamics (FD)** and team lead for the national shale gas education and advocacy initiative known as Energy In Depth. As part of his duties, Chris serves as the chief spokesman for more than 30 individual shale gas operators and affiliated trade associations, regularly appearing in national, local and international media. Over the past 18 months, Chris has participated in more than two dozen conferences, summits and issue forums across North America focused on the long-term proposition of unconventional natural gas. Chris holds a degree in philosophy from Johns Hopkins University.

CONFERENCE SPEAKERS - LAWYERS AND PR 'SOLUTIONS' MEN



Spilman, Thomas & Battle PLLC
Michael J. Basile
Managing Member

Spilman is a full service law firm with offices located in Pennsylvania, West Virginia, Virginia and North Carolina. Mr. Basile's primary areas of practice are state and local government and community relations, business, land use planning and administrative law. Prior to Spilman, Mr. Basile was Associate General Counsel, General Counsel and Deputy Chief of Staff to the Office of West Virginia Governor Gaston Caperton. He is a graduate of West Virginia University and University of Pittsburgh School of Law. Mike has been recognized by **The Best Lawyers in America** (Government Relations Law and Mergers and Acquisitions Law), **Chambers USA** (America's Leading Lawyers for Corporate/Commercial Law) and **Super Lawyers** (West Virginia, Business/ Corporate and Government/ Cities/ Municipalities).



Spilman Thomas & Battle PLLC
Ronald S. Schuler
Counsel

Ron is a corporate, securities and commercial transactions lawyer with extensive experience in

mergers and acquisitions, public offerings, private placement financings, and numerous types of contracts for clients within the energy, software, biotechnology and telecommunications industries. Prior to Spilman, he served as chief administrative and senior operations executive for a \$100+ million Appalachian oil and gas production company, developing an intimate knowledge of oil and gas transactions, joint ventures, leasing and land matters, and energy derivatives. (The unnamed "Appalachian" company is **PGMT Energy**, where he was senior vp of corporate development. He is a member of the **Independent Petroleum Association of America**.)



Spilman Thomas & Battle PLLC
Michael S. Garrison
Member

Mike's primary areas of practice are general and labor and employment litigation, government

relations, corporate governance, and business and economic development with a special emphasis in the Marcellus Shale and energy industries. Prior to his position at Spilman, he was **President of West Virginia University, Chief of Staff to WV governor Bob Wise** and held a number of other administrative government positions.



Davies
John Davies
Founder & CEO

He is one of the most respected communication strategists and an expert on building grassroots public

support for controversial projects and issues. John has provided strategic counsel and executed highly integrated grassroots and community relations programs for a myriad of clients in the oil & gas, conventional and alternative energy, mining, real estate, and pharmaceutical industries in 47 states. John clearly understands the art and science of public persuasion and how to shape public opinion and leverage public support into the politically influenced regulatory review and public approval processes. He applies his lifelong study of human behavior and effective communications strategies to influence decision makers to help his clients to achieve their strategic business goals.



Gregory FCA
Greg Matusky
President and founder

Gregory FCA is a top 50 national public relations and investor relations firm, serving private and

publicly traded companies throughout the country. A former business writer, whose work has appeared in Inc., Forbes and Newsweek magazines, Mr. Matusky began his career in public relations working for **Conoco**, which at the time was the world's eighth largest energy company. During his career, Mr. Matusky has worked for a range of energy companies and utilities. For the past two years, his company, which is based in Pennsylvania, has been benchmarking public sentiment in traditional and social media for Marcellus Shale and natural gas development against a range of alternative energy options. **Mr. Matusky has worked on a range of highly sensitive public opinion issues**, including eminent domain, carbon containment, energy management and infrastructure development. His firm has worked with and for a number of Global 1,000 companies, including Unisys, EQT, SAP, Mitsubishi Electronics, FedEx, and Kimco.



Jurat Software
Aaron Goldwater, founder & CEO

Jurat has established itself as a respected global leader in its field. Jurat Software Inc., is the developer of SRM a software package that documents, tracks and reports on all interactions with stakeholders as well as commitments, funds provided and more. Jurat also runs both public and private training courses on the process of Stakeholder Engagement. Jurat's service excellence is

delivered in conjunction with select professionally accredited partners, utilizing their many years of experience in geographic and vertical markets. In partnership, **Jurat Software Inc., have provided solutions to some the world's largest minerals and resource extraction companies, governments at various levels, and numerous other sectors on various continents.**

Chesapeake Kehs' conference biography states that he was the former head of U.S. public affairs in Washington D.C. with the U.S.-based international public relations firm **Hill & Knowlton Inc.** He also served for 12 years with international public relations giant **Burson-Marsteller Inc.**, and formerly with U.S.-based **Porter Novelli**. The 2011 *Holmes Report* on the *Top 250 Global Rankings* of public relations companies internationally, states that out the top 20 PR companies ranked by 2010 earnings, 13 are based in the U.S., which together collected a total of \$3.7 billion in fees. In 2010: Burson-Marsteller was ranked fourth with \$435 million in fees; Hill & Knowlton as sixth with \$375 million; and Porter Novelli at fifteenth with \$120 million. Another conference speaker on the following panel, Matt Pitzarella, had also served with Burson-Marsteller.

Last year, on March 15, 2011, I published a report, *Background on Shale Gas & Oil Companies in Quebec* (available on the B.C. Tap Water Alliance's website, *Stop Fracking British Columbia*). In it are a number of references to Hill & Knowlton, identifying that the company "appears to be a handler of deep shale gas energy issues in Europe, the United States, and in Quebec." The WPP Group headquartered in London, "the world's largest advertising company," owns both Hill & Knowlton and Burson-Marsteller. With the ties to Chesapeake's Michael Kehs, there seems to be a strong connection between the shale gas fracking domain and two of the top 20 world public relations companies. (For an interesting and critical, dated account of WPP, see Appendix G)

The Holmes Report				Top 250
Rank	Rank Last Year	Agency Name	Headquarters	2010 Fees
1	3	Edelman	USA	\$531,548,517
2	1	Weber Shandwick Worldwide	USA	\$525,000,000
3	2	Fleishman-Hillard	USA	\$505,000,000
4	4	Burson-Marsteller	USA	\$435,000,000
5	5	MSL Group	France	\$418,000,000
6	7	Hill & Knowlton	USA	\$375,000,000
7	6	Ketchum Pleon	USA	\$355,000,000
8	8	Ogilvy Public Relations Worldwide	USA	\$250,000,000
9	9	EuroRSCG Worldwide	France	\$205,000,000
10	10	FD	United Kingdom	\$193,100,000
11	13	Brunswick Group	United Kingdom	\$170,000,000
12	11	Cohn & Wolfe	USA	\$150,000,000
13	12	Grayling	United Kingdom	\$145,000,000
14	15	GolinHarris	USA	\$130,000,000
15	14	Porter Novelli	USA	\$120,000,000
16	23	MEDIA CONSULTA	Germany	\$113,568,548
17	18	APCO Worldwide	USA	\$113,400,000
18	16	Waggener Edstrom Worldwide	USA	\$111,910,000
19	17	Ruder Finn	USA	\$97,059,000
20	19	Dentsu Public Relations	Japan	\$80,000,000

Matt Carmichael, with a slight southern U.S. drawl, stated that his company, **Anadarko Petroleum** - in contrast to other petroleum companies with large fleets of communications personnel - is a quiet company, with only four communications personnel, a company which has a "great reputation in the Rockies and other places where we operate." He spoke about company values, passing on these values to company personnel, training all personnel to be media savvy. He then spoke about "the dreaded rig tours," his "talk about FracFocus," and how Anadarko was "leading in the number of wells put into FracFocus."²⁷

He then told the delegates about "how we executed our media plan:"

If you are a PR representative in this industry, in this room today, recommend you do three things. These are three things that I've read recently that are pretty interesting:

²⁷ A December 2, 2011 *Colorado Oil and Gas Conservation Commission* document on changes to the Commission's Rules and Regulations, states that "two intergovernmental groups, the **Ground Water Protection Council** and the **Interstate Oil & Gas Commission** developed a website for the public disclosure of hydraulic fracturing chemicals, www.FracFocus.org. As of November 21, 2011, 81 operators had registered to participate in FracFocus."

1. Download the *U.S. Army/Marine Corps Counterinsurgency Manual* (in the audio one can hear some of the delegates instinctively chuckling after he said this, and there follows a slight pause by Carmichael who hears them) ... *because we are dealing with an insurgency. There's a lot of good lessons in there and coming from a military background, I found the insight in that extremely remarkable.*

2. With that said there's a course provided by Harvard and MIT, twice a year, it's called *Dealing with an angry public*. Take that course. And tie that to the Army/Marine Corps Counterinsurgency Manual. A lot of the officers in our military are attending this course. It gives you the tools, it gives you the media tools on how to deal with ... a lot of the controversy we as an industry are dealing with.

3. Thirdly, I have a copy of *Rumsfeld Rules* (a few more chuckles from the audience). If you are all familiar with Donald Rumsfeld. That's kind of *my bible* by the way I operate.



Rumsfeld? Now that's really scary, even by Halloween standards! After labelling Americans opposed to fracking as "insurgents," Carmichael continued on in his presentation to give key tips on how to properly engage the public and the media, and how to build on the "trust" relationships.

U.S. GOVERNMENT COUNTERINSURGENCY GUIDE

Insurgency is the organized use of subversion and violence to seize, nullify or challenge political control of a region. As such, it is primarily a political struggle, in which both sides use armed force to create space for their political, economic and influence activities to be effective. Insurgency is not always conducted by a single group with a centralized, military-style command structure, but may involve a complex matrix of different actors with various aims, loosely connected in dynamic and non-hierarchical networks. To be successful, insurgencies require charismatic leadership, supporters, recruits, supplies, safe havens and funding (often from illicit activities). They only need the active support of a few enabling individuals, but the passive acquiescence of a large proportion of the contested population will give a higher probability of success. This is best achieved when the political cause of the insurgency has strong appeal, manipulating religious, tribal or local identity to exploit common societal grievances or needs. Insurgents seek to gain control of populations through a combination of persuasion, subversion and coercion while using guerrilla tactics to offset the strengths of government security forces.

12-(10-b). Way Out of Resource Range

The second conference session on the morning of October 31st was called

Providing a Case Study on Designing a Media Relations Strategy to Overcome Concerns Surrounding Hydraulic Fracturing. It had only one speaker, Matt Pitzarella, Houston-based **Range Resource**'s director of corporate communications and public affairs. He was introduced to conference delegates as the company's "primary spokesperson."

Pitzarella's responsibilities as a public relations man move well beyond his company's singular aspirations, and through the blessings of Range Resources they take on a much wider synergistic scope. Pitzarella not only chairs the **Marcellus Shale Coalition**'s subcommittee on communications, he is also the vice chair of **America's Natural Gas Alliance** (ANGA). This is where it gets interesting.

MULTINATIONAL CORPORATIONS

Multinational Corporations usually become involved in counterinsurgency when their corporate interests (financial interests, foreign based personnel, or infrastructure, etc.) are threatened, or when a financial advantage is perceived.

In particular, firms in extractive sectors (oil, mining, etc.) have large initial investment and long production cycles, which mean that withdrawal from a country could result in significant financial cost. For such companies, investment in local stabilization activities (from micro-loans to security sector reform activities) makes economic sense.

The Marcellus Shale Coalition (MSC) was founded in 2008 as the controversial-laden fracking opportunities got going in northeast U.S. Among the many entrenched and evolving political 'activities' of the MSC in the

Marcellus shales in northeast U.S., the MSC is a strong and persuasive lobbyist at community, county, state and federal levels. The Harrisburg Times reported on July 3, 2011, *Natural gas industry spent \$3.5 million on lobbying in 2010*, that the MSC, the Pennsylvania Independent Oil and Gas Association, and "22 companies" "spent more than \$3.5 million last year to lobby lawmakers and state officials on a range of issues concerning Marcellus shale extraction:"

The lobbying disclosure reports document the industry's growing presence at the statehouse and reflect the ways that public debate over development of the deep pockets of natural gas in the Marcellus Shale formation - its economic potential, environmental protection risks and impact on local governments - casts a wide net over state public policymaking.

Tallying gas industry spending, the Marcellus Shale Coalition founded in 2008 led the pack in 2010 spending at \$1.1 million.

The other top five spenders are Range Resources-Appalachia, \$392,000; Chesapeake Energy, \$382,000; PIOGA, \$247,000; East Resources Management, \$225,000; and Chief Oil and Gas, \$186,000.

The gas lobbying continues this year in a Republican-controlled statehouse. MSC spent \$407,000 from January through March, according to Department of State reports. Range Resources spent \$136,000 and PIOGA \$14,000 in the same period.

That the MSC is the top spender is not surprising.

The coalition has about 200 full and associate members and is continually adding more, said Mark Holman, a partner with Ridge Policy Group, the coalition's lobbyist. The

Chapter 1

Insurgency and Counterinsurgency

Counterinsurgency is not just thinking man's warfare—it is the graduate level of war.

Special Forces Officer in Iraq, 2005

This chapter provides background information on insurgency and counterinsurgency.

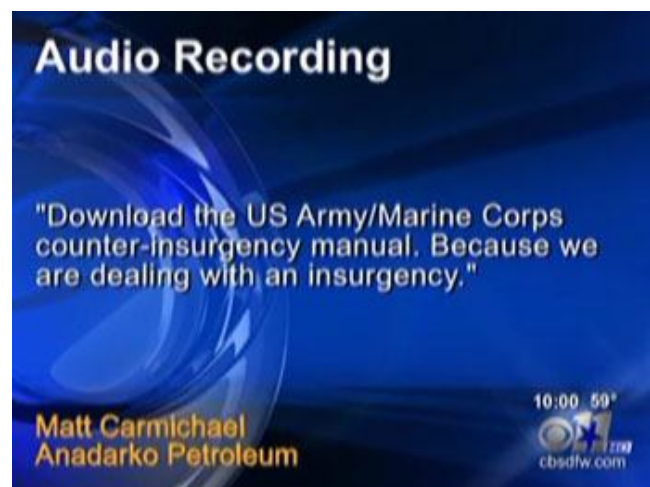
membership includes a diverse list of companies specializing in gas exploration and production, engineering, construction, pipelines, water treatment and hydraulic fracturing. A number of MSC members like Range Resources and Chesapeake Energy also run their own lobbying operations.

*“Our industry is fully committed to transparency not only in our operational activities, but across the board, including our government advocacy, engagement and outreach efforts,” said MSC Vice President David Callahan in a statement. “The legislative and regulatory issues facing our industry are countless. And while Marcellus development is still in its relative infancy, we recognize that **common-sense policies** - at all levels of government - are imperative.”*

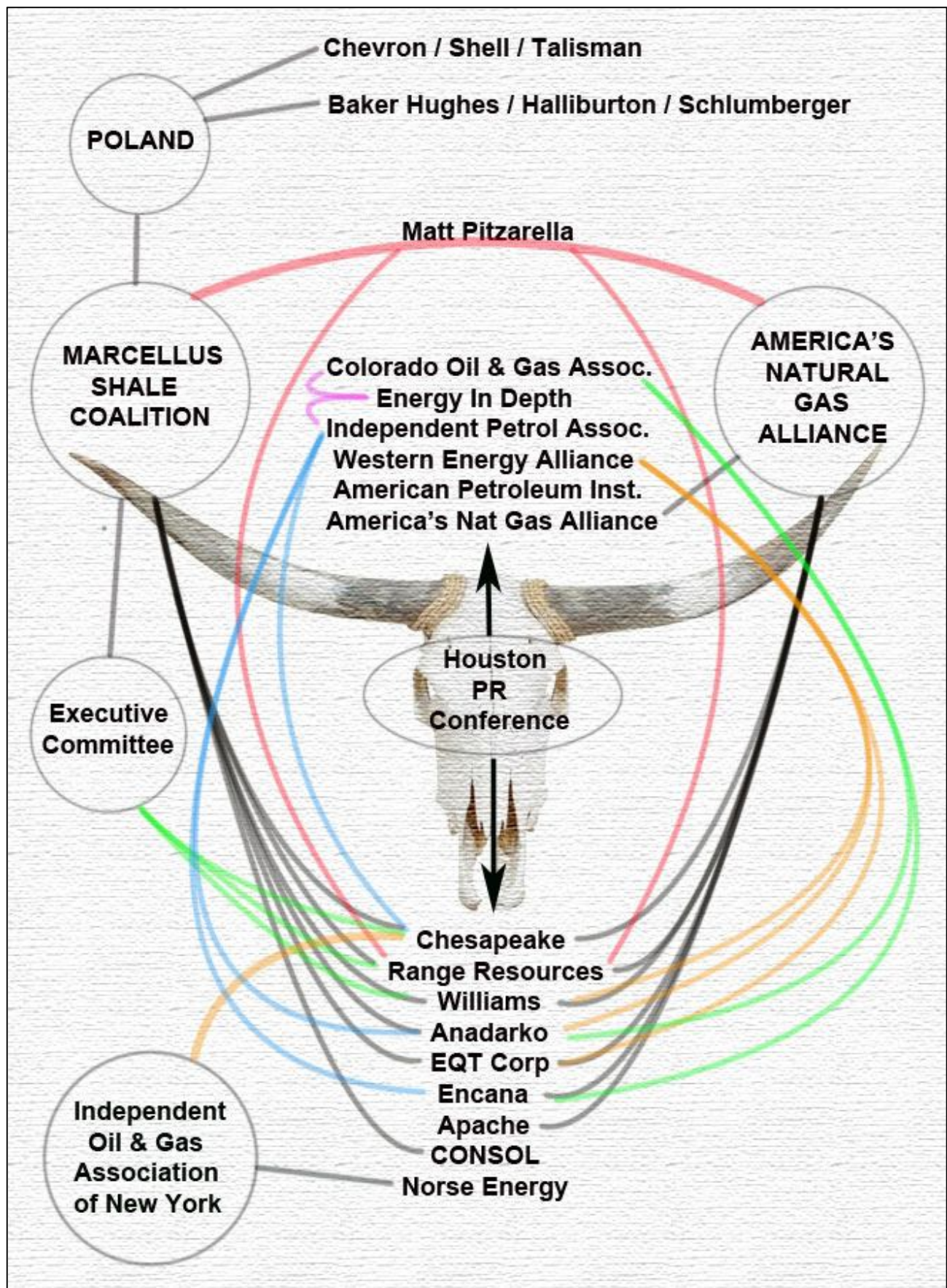
MSC has an office in Canonsburg, Pennsylvania, and currently has 41 companies registered as full members, which includes Range Resources. Range’s senior vice president, **Ray Walker**, is chairman of the MSC. Range Resources is also a member of ANGA.²⁸ ANGA’s vice president of strategic communications, **Dan Whitten**, was also a guest speaker at the conference, who coincidentally confides with Matt Pitzarella from Range Resources. Six of the nine companies with representatives at the Houston conference are full members of the MSC, three of which are members of the MSC’s executive committee. Six of the nine companies with representatives at the Houston conference are members of ANGA. Three full member fracking companies of MSC which did not have representatives at the conference have unconventional fracking concessions in Poland (Chevron, Shell, and Talisman), and three associate members of MSC (Halliburton, Baker Hughes, and Schlumberger) serve the frackers in Poland and in the EU.

In examining the cross-connections or political linkages between company and association representatives at the Houston conference (see the attached drawing below), it almost appears as if the whole conference was no more than one big PR love-in. It is probably fair to comment that what was said and contemplated by the companies with their communications representatives at the Houston conference is what is being contemplated elsewhere, i.e. Poland.

At the beginning of Pitzarella’s presentation, after making a passing joke about being a typical bad-ass PR boy working for the evil gas company, he asked if there were any reporters in the audience. One hand went up (the other reporter, Steve Horn, was barred, until later, from that part of the conference). That led Pitzarella to comment by way of an obvious jab that he would have to “delete a number of my slides after this where I’m going to say a bunch of terrible things about him,” something that didn’t prevent or control him from dishing out his inner thoughts to his fellow professional PR kind about, for instance, how “misinformed” and “negative” the press media is.



²⁸ Other members of ANGA are: Anadarko Petroleum, Apache, BG Group, BHP Billiton, Bill Barrett Corporation, Cabot Oil & Gas, Chesapeake, CIMAREX, Devon, El Paso, Encana Corp., ENERGEN, EOG Resources, EQT, EXCO, LAREDO, Linn Energy, Newfield, Noble Energy, Pioneer Natural Resources, PXP, QEP Resources, SENECA Resources, SM Energy, Southwestern Energy, Talisman Energy, Ultra Petroleum, Williams, and XTO Energy.



After going through his routines about having “a seat at the table,” being a “walking encyclopaedia,” and “understanding your audiences,” he said something interesting, followed by something sinister, where at one time Range Resources “didn’t have a hundred people that work in the community ... to engage and educate landowners:”

Chapter 3
Intelligence in Counterinsurgency

Everything good that happens seems to come from good intelligence.

General Creighton W. Abrams Jr., USA, 1970

Effective, accurate, and timely intelligence is essential to the conduct of any form of warfare. This maxim applies especially to counterinsurgency operations; the ultimate success or failure of the mission depends on the effectiveness of the intelligence effort. This chapter builds upon previous concepts to further describe insurgencies, requirements for intelligence preparation of the battlefield and predeployment planning, collection and analysis of intelligence in counterinsurgency, intelligence fusion, and general methodology for integrating intelligence with operations.

*One thing that we’ve worked a lot on at Range is just getting more proactive in the community. It’s not something that we’ve done before.... In other parts, in Pennsylvania, we have several - I think Matt (Carmichael) raised the issue of looking to other industries, in this case **the army and the marines** - **We have several former psy ops folks that work for us at Range because they’re very comfortable in dealing with localized issues and local governments.** Really all they do is spend most of their time helping folks develop local ordinances and things like that. But very much **having that understanding of psy ops in the Army and in the Middle East has applied very helpfully here for us in Pennsylvania. I think we have to think differently.** We can see all these things coming, right.... we have to be more proactive on our own.*

I wanted to talk about this concept of taking the tours out. The two guys in the front there that are also with Range, Mike and Mark. Mike, whether he wanted it or not, he is now director of all tours at Range. We’ve had more than 1,500 people out just in Washington County, Pennsylvania this year. Most of them are from all over the world and they want to learn more about this process. ... If you think about it this way. If you are a salesperson, what more do you want? You want to get that ___ down on the golf course, because you’ve got four hours alone with him. It’s the same thing with tours.

Devon Energy

"Very applicable and practical topics; good speakers"

The remaining themes of the conference were as follows in chronological program order:

- Understanding How Social Media can be Utilised Effectively by Unconventional Oil & Gas Companies to Engage Stakeholders and Drive Public Education;
- How to Protect an Unconventional Oil & Gas Brand Online and Mitigate the Threat of a Negative Social Media Campaign to Minimize the Potential for Brand Damage;
- Providing a Case Study on How Social Media can be Used to Positively Influence the Public and Inform the Debate on Hydraulic Fracturing;

- Waking the Silent Majority: Evaluating How to Practically Transpose Grass Roots Industry Support into Stakeholder Advocacy to Drive Public Acceptance of Unconventional Oil & Gas Projects;
- Identifying Successful Strategies for Gaining Trust in Communities Where Hydraulic Fracturing is Occurring to Become Better Corporate Citizens;
- Providing Case Studies on Re-Building Trust in Communities After an Event to Minimize Negative Press and Protect Company Image;
- Understanding How Individual Unconventional Oil & Gas Operators can Work Together to Create a United Industry Front to Engage Stakeholders on the Issues Surrounding Hydraulic Fracturing;
- Educating Employees on Key Issues to Encourage Advocacy and Brand Management Within an Unconventional Oil & Gas Company;
- Evaluating the Influence of NGOs and Outlining the Most Productive Strategies for Dealing with them;

ExxonMobil

"The topics were good and everyone has a sense of camaraderie that is fun to see"

El Paso Corporation
"Great topics and speakers"

- Discussing How the Dialogue can be Adjusted from a Defensive to a More Proactive Approach when Debating the Industry Case;

- Hearing from Key Media Representatives, NGO's and Community Stakeholders to Better Understand Concerns and Drive an Informed and Factual Discourse;
- Developing A Comprehensive Crisis Communications Strategy Specific to Unconventional Oil & Gas to Respond and Drive Quick Resolution;
- Providing Case Studies to Understand the Best Methods for Using the Internet and Social Media as Part of an Effective Crisis Communications Strategy;
- Understanding the Most Effective Ways to Stay Current with Regulations and Framing them in a Way to Relay to the Public.

Encana Oil & Gas

"I thought the conference was great. It was very well organized and I felt the content was superb"

Brenden DeMelle's DeSmogBlog November 9th piece on PsyOps states that the "use of PSYOPs by active military personnel on U.S. citizens is illegal and a violation of the *Smith-Mundt Act* of 1948, as Michael Hastings of *Rolling Stone* explained in his February 2011 investigative story uncovering the fact that U.S. military generals had used PSYOPs on members of Congress:"

*The Smith-Mundt act “was passed by Congress to prevent the State Department from using Soviet-style propaganda techniques on U.S. citizens.” Hastings wrote in Rolling Stone: “According to the Defense Department’s own definition, psy-ops – the use of propaganda and psychological tactics to influence emotions and behaviors – are **supposed to be used exclusively on “hostile foreign groups.”** Federal law forbids the military from practicing psy-ops on Americans, and each defense authorization bill comes with a “propaganda rider” that also prohibits such manipulation. **“Everyone in the psy-ops, intel, and IO community knows you’re not supposed to target Americans,”** says a veteran member of another psy-ops team who has run operations in Iraq and Afghanistan. **“It’s what you learn on day one.”***

*Range Resources’ Local Government Relations Manager in Pennsylvania is **James Cannon**, a former Marine and Army Reservist whose unit conducted PSYOPs during Operation Iraqi Freedom. According to his personal website and LinkedIn page, Jim*

Cannon says he is still an active reservist with the 303rd Psychological Operations Company, who served under the US Army Special Operations Command (USASOC) as part of Operation Iraqi Freedom.

Anadarko Petroleum
Corporation
"Good cross selection of the
industry"

What if the same techniques that the Army used to weaken the insurgency in Iraq and Afghanistan are being used by the gas industry to intimidate U.S. citizens in Pennsylvania? Of course they wouldn’t need the Black Hawk helicopters, the U.S. Postal Service can drop letters just fine. But the tactics of using financial incentives and disseminating propaganda designed to pit neighbor against neighbor?

Jim Cannon’s company Range Resources has deployed these PSYOP-inspired tactics in Pennsylvania, sending threatening letters to the citizens of Mt. Pleasant Township in hopes of dividing the community, and attempting to sway the township supervisors to do industry’s bidding.

As [best documented by This American Life](#), Range has sent threatening letters to residents of Mount Pleasant, PA, where citizens were concerned about the impacts of natural gas drilling on their community. The Pittsburgh Post-Gazette also covered the [Range Resources letters controversy](#), and included PDFs of the actual letters sent by Range to Mt. Pleasant residents.

Range sent a second letter around the same time, but only to property owners with gas leases. It appears to seek to divide the community, by threatening that the company might pull out of the town if it didn’t get its way, essentially striking fear into residents that such a decision would hurt their lease income and encouraging them to pressure local leaders to keep Range happy.

The Dallas Observer’s November 10, 2011 article, *Local Anti-Gas Drilling Activist Catches Execs Pushing PSYOP to Deal with “Insurgency,”* states that when the newspaper tried to contact Anadarko Petroleum’s Matt Carmichael via “email,” John Christiansen (who Carmichael replaced at the last moment as Anadarko’s conference speaker) responded in his stead, saying: “The reference (to “insurgents”) was not reflective of our core values. Our community efforts are based

upon open communication, active engagement and transparency, which are all essential in building fact-based knowledge and earning public trust.”

Pittsburgh’s Post-Gazette published an article on November 13, 2011, *Drillers using counterinsurgency experts - Marcellus industry taking a page from the military to deal with media, resident opposition*, said that Anadarko Petroleum “has nearly 300,000 acres of Marcellus Shale gas holdings under lease in central Pennsylvania.” It also reported the following on Matt Pitzarella:



“To suggest that the two comments made at unrelated [conference sessions] are a strategy is dishonest,” Mr. Pitzarella said. “[Range has] been transparent and accountable, and that’s not something we would do if we were trying to mislead people.”

*But despite repeated questions, **Mr. Pitzarella would not name the Range attorney with a psyops background.** The company does employ **James Cannon**, whose LinkIn page lists him as a “public affairs specialist” for Range and a member of the U.S. Army’s “303 Psyop Co.,” a reserve unit in Pittsburgh.*

Mr. Cannon could not be reached for comment.

Dencil Backus of Mount Pleasant, a California University of Pennsylvania communications professor who teaches public relations, once had Mr. Pitzarella in his class. Mr. Backus said it’s “obvious we have all been targeted” with a communications strategy that employs misinformation and intimidation, and includes homespun radio and television ads touting “My drilling company? Range Resources”; community “informational” meetings that emphasize the positive and ignore potential problems caused by drilling and fracking; and recent lawsuits, threats of lawsuits and commercial boycotts.

“There’s just been a number of ways in which they’ve sought to intimidate us,” said Mr. Backus, who has been a coordinator of a citizens committee that advised Mount Pleasant on a proposed Marcellus ordinance. “It’s one of the most unethical things I have ever seen.”

*Canon-MacMillan Patch’s reporter Amanda Gillooly’s piece on November 9, 2011, **Range Resources Says it has Military Psych Ops Specialists on Staff in PA**, included a lengthy interview with Pitzarella. In it, he includes a completely different spin on what actually occurred as audio recorded by Sharon Wilson in his full presentation. He said that his “remarks were in response to a comment on how to prepare scientists and other technical experts to answer emotional questions, particularly in other parts of the country.” Not that it makes any difference in the final analysis, but that’s not what happened, because no one asked him any questions when he made his controversial statements during his unbroken conference presentation. “Editing and swapping my response with an unrelated comment from someone else isn’t really honest,” he said.*

12-(11). The Synergy Ranch

Given the preceding and lead-up conferences organized on the themes of managing the public that were held in Calgary, Alberta, - shadowed by the leaked Alberta government Briefing Note where the **Canadian Association of Petroleum Producers'** representatives wanted provincial and federal governments to help industry control-advertise on their behalf - and in Krakow Poland, there seems little doubt that the Houston conference was a coordinated and crowning rallying event about managing the public internationally.

The unfolding of a mass elaborate communications ploy is attributed to the deep investment pockets of the petroleum industry which finance-pools the complex web of these public relations undertakings (all tax deductible?). Certainly the former masters of this sort of social controlling application in pre-World War Two Germany would be proud, and no doubt envious, of the recent activities and advanced achievements!

An important question for political scientists and researchers out to dissect and understand the history and intrigue of the petroleum sector's message-management and general manipulation of governments and the public is: in the big North American petroleum ranch picture frame, which synergy cart came before which PR horse first? For instance, what is the connection between the Synergy Alberta public relations movement history and methodology to the public relations methodologies generally applied in the United States by the petroleum sector and governments? Is Synergy Alberta simply a home-grown product, which was exported elsewhere, or was it imported from the United States as a hybrid? Because the majority of the larger petroleum companies are co-operatively operating in both Canada and United States, and are mostly headquartered in the United States, therefore communication policies may be tied to the headquarter locations.

Whatever the origins, there is a controversial, strong, and growing public relations culture in the petroleum complex, a creepy culture worming its way into Poland.

13. Epi-Frack-Logue: The “Unconventional” Warsaw Conference Incident

*In spite of environmental concerns Poland says it cannot afford to ignore such a valuable reserve of energy.*¹

*Let's not forget the role of our authorities, who have the will of this society deeply up their arse. I will quote Mr. (Bernard) Blaszczyk, who under the guise of his role as vice-minister of the environment, recently said that the Polish authorities “will do everything to make sure that no protests are able to stop shale gas exploration in Poland.” So, when we talk about democracy in such a key moment, they enact a dictatorship.*²

The European and North American unconventional petroleum complex had busily planned and advertised a final gala international conference on unconventional shales to be held in Warsaw one month before the expiry of Poland's six-month term at the EU Presidency - the final kick at the 2011 unconventional conference can. It was the second annual Shale Gas World Europe 2011 conference, November 28 - December 1, at the Hotel Intercontinental.

In 2011, a barrage of unconventional petroleum conferences were held throughout the EU member states (and one in Houston specifically about Poland), about half of which were convened in Poland alone. Many, many more were held in North America.

However, something really “unconventional” occurred at the final Warsaw conference event, something that never happened at any other unconventional conference before on Planet Earth!

2nd annual

ShaleGas
WORLD

Europe 2011

28 November – 1 December, Hotel Intercontinental, Warsaw, Poland



Foot on the gas

Strategy, opportunity and growth for governments, operators and key stakeholders in shale gas development

Tackle environmental and regulatory issues impacting shale gas exploration and production. Hear from the Polish Government, the Ukrainian Government and the European Commission about the regulatory framework for shale development. Learn how to address environmental issues associated with shale drilling.

Meet and do business with North American and global shale gas operators. Learn from pioneering North American companies such as Breitling Oil and Gas, St. Brendan's Exploration Ltd, Quicksilver Resources, Nexen and Encana about the practicalities of developing shale gas.

¹ May 30, 2011: *Poland Committed to developing its shale gas reserves*, Poland Embassy in Copenhagen.

² November 29, 2011, audio comments from a demonstrator inside Warsaw Intercontinental Hotel conference room.



A YouTube video emerged on December 3rd, posted on the internet two days after the conference ended. In it were comments from Polish residents concerned about fracking in Poland, concerned about their water. In it was a Polish government official who didn't want to admit that the fracking industry was using toxic chemicals, while looking at a brochure by U.S.-based Chevron Corp.

As the video continued with a series of written statements in Polish translated into English, was footage on a series of demonstration events on November 29th at the Intercontinental Hotel.

FACILITATING SHALE GAS DEVELOPMENT IN POLAND	
17.00	Understanding the requirements of doing business in Poland <ul style="list-style-type: none"> • Doing business in Poland – an overview • Understanding the Polish taxation system • Experiences of shale gas companies operating in Poland Kenneth Morgan, Director, Trinity Corporate Services
17.25	Panel Discussion: effectively sourcing employees and understanding employment contracts in Poland <ul style="list-style-type: none"> • How to find the right people for the shale industry • Hiring without having a legal entity in Poland • What are the additional costs to hiring? Moderator: Kenneth Morgan, Director, Trinity Corporate Services

8 KEY REASONS TO ATTEND

1. Hear from Government and Operator representatives about their strategies for maximising the shale gas opportunity in Europe.
2. Understand the regulatory framework for shale development from the European Commission, the Polish Government and the Ukrainian Government.
3. Listen to operator case studies from Ukraine, Poland, France, the Netherlands, Hungary and the United Kingdom.
4. Understand how to balance the public perception of fracking with the environmental reality.



A banner was hung from the upstairs balcony which said “FRACK YOU!”, under which were all the names of cities and places with fracking bans and moratoriums.

09.30 The shale gas experience in North America: how can environmental lessons learned be transferred to Europe?

- What are the critical environmental issues associated with shale gas development?
- How can we learn from our experience in North America to add value to shale gas projects in Europe and elsewhere, and help to avoid costly project delays?
- Key issues of stakeholder management, operator reputation and regulatory support

John Damanti, Vice President, Oil & Gas Pipelines Business Development, Europe-Middle East-Africa, **URS**

Due to the social and environmental degradation that it causes, hydraulic fracturing has been banned in many regions of the world. A moratorium on fracking is in effect, amongst others, in Quebec, Maryland, New Jersey, New York, and the Delaware

River Basin area, France, South Africa, etc. With an increasing number of moratoriums and a growing list of court summons in countries where significant environmental damage has occurred, multinational companies are moving production to peripheral regions, North Africa, China, Eastern Europe. In Europe, the largest stores of gas in shale rocks are said to lie in Poland. As a result, multinationals infamous for human rights violations around the world are turning up the pressure on Polish authorities and local communities in the aims of turning the law to their own advantage and maximizing their profits. Local protests are ignored.

From November 28th to December 1st, the CEOs and representatives of the largest multinational

Package	Before 9 Sept	Before 21 Oct	Before 11 Nov	After 11 Nov
Platinum pass: 4 days 2 day conference + briefing day + shale gas workshops	£3415 + VAT £785.45 = £4200.45	£3795 + VAT £872.85 = £4667.85	£3985 + VAT £916.55 = £4901.55	£4175 + VAT £960.25 = £5135.25
✓ 28 November - 1 December	SAVE £760!	SAVE £380!	SAVE £190!	

energy corporations flew into Warsaw to take part in the “Shale Gas World Europe 2011” conference. In the company of EU representatives and the Polish government, behind closed doors and away from the public eye, these corporations met to showcase the future profits of their shale gas investments in Poland. A group opposed to the fracking activities of these corporations interrupted the party, successfully blocking the keynote speech. The following film is not only a documentation, but also aims to inspire acts of civil disobedience against the erosion of democracy.



About a dozen people ‘occupied’ the main conference room hall and sat on top of the podium up against the wall. Their faces were not made identifiable in the video, to protect their identities.

11.10 Panel Discussion: assessing the ways for the unconventional gas industry to overcome environmental and public concerns
Andrzej Kassenberg, President, Institute for Sustainable Development, Poland
William Ramsay, Senior Research Fellow, Director of Energy Program, Institut Francais des Relations Internationales
Brian Horsfield, Research Department Director, German Research Centre for Geosciences GFZ
Darcy Spady, Managing Director, St. Brendan’s Exploration

When the demonstrators began chanting a few words together, hotel staff forced the main entrance doors closed to the large conference room, and a manager came along and then locked the doors so that security and police could later enter by other doorways to video the protesters and then drag and escort them out in handcuffs. As the doors were being locked, and staff were holding the long horizontal door handles, a male voice began reciting the name of all the cities and areas around the world that have fracking bans and moratoriums. The names of these places were printed on the video as each was recited in the Polish language.



09.05 Keynote Address: comparing the regulatory environment for shale gas development in Europe to North America

- What are the main points of differentiation in regulation between Europe and North America?
- What do European regulators need to do to encourage shale gas development?
- Best practice in regulation of shale development

Richard Dunn, Vice President Regulatory and Government Relations, **Encana**



A Hotel/conference security negotiator invited the uninvited “guests” away from their podium seats and said the following in Polish: “Let’s talk. You can discuss all this with the corporate representatives. We’ve got a room set up for you upstairs, you can move there”

In turn, one of the young men responded in English: “Okay. We’ve got a proposition for you.”



The young man then said the following. “Our condition is a total moratorium on hydraulic fracturing in Poland. Why don’t you go out there and tell them about the moratorium.”

The Hotel/conference security negotiator had to bid ‘Plan A’ adieu. Next came ‘Plan B.’ A middle-aged male police officer wearing a police hat came and starting filming the scene. That’s when a young woman began saying to the police officer: “There are criminals here. They are standing just outside this conference room!”

10.20 Balancing the public perception of fracking with the environmental reality

- Analysing the conflicting information available on the environmental impact of shale drilling
- How will European population density affect shale exploration and production?

William Ramsay, Senior Research Fellow, Director of Energy Program, **Institut Francais des Relations Internationales**



The next series of events that took place leading up to the arrest and departure of the “guests” by about a dozen or more men and women police officers, a few security people held up their hands and nearby placards to prevent the person videotaping the events from recording what was unfolding. As this was happening, a young man’s voice could be heard saying the following in English:



Let's not forget the role of our authorities, who have the will of this society deeply up their arse. I will quote Mr. (Bernard) Blaszczyk, who under the guise of his role as vice-minister of the environment, recently said that the Polish authorities “will do everything to make sure that no protests are able to stop shale gas exploration in Poland.” So, when we talk about democracy in such a key moment, they enact a dictatorship.



09.05 Ministerial Keynote Address: how the Polish Government is facilitating the development of the shale gas industry

- Assessing the time frame for shale gas production in Poland
- Understanding the regulatory and licensing requirements to develop Polish shale plays

Mikolaj Budzanowski, Under-Secretary of State, Ministry of Treasury, Poland

The ominous 1984-Big-Brother-Is-Watching-You style quote from Blaszczyk about curbing public protests in Poland originated from an article published on June 28, 2011, *Protesty społecznie nie powinny powstrzymać wydobywania gazu łupkowego* (*Public Protests Will not Stop Shale Gas*). In the first paragraph of the article, Blaszczyk states that a program of education and information will be used to “convince” the Polish people that the developments of unconventional shales in Poland will not be harmful to the environment, etc., etc.³

According to a recent biography published on Wikipedia in the Polish language about Blaszczyk, he was trained as a lawyer and first served in the Ministry of Environment, Natural Resources and Forestry from 1991-1993. After serving in various portfolios in this ministry, he became Poland’s consul general in Ostrava in 1996. From 2000 to 2001, he became Poland’s Secretary of State in its Ministry of Economy. In December 2007, the same year as the shale gas concessions were being dished out by the Ministry of Environment, he was appointed as the Ministry’s director general until August 2008, when he became the Ministry of Environment’s Undersecretary of State.

³ Zrobimy wszystko, żeby protesty społeczne nie powstrzymały wydobywania gazu łupkowego w Polsce - mówi Bernard Blaszczyk, wiceminister środowiska. - Poprzez działania edukacyjne i informacyjne będziemy przekonywali ludzi, że wydobywanie gazu łupkowego nie jest działaniem szkodliwym dla środowiska - mówi Bernard Blaszczyk, wiceminister środowiska.

Currently, Poland's Minister of Environment is Marcin Korolec. According to his curriculum vitae posted on his Ministry's website, Korolec is also a trained lawyer, and speaks fluent English and French. In November, 2005, he became Poland's under secretary of state in the Ministry of Economy, a position formerly held by Blaszczyk. The biography also states that since 2011, Korolec has been "a member of the EU Council for Gas European Union - Russia."



The next segments in the YouTube video inside the Hotel Intercontinental involved the "guests" being thrown on the ground, handcuffed, and removed from the Hotel premises, from the rear entrance of the Hotel.

09.55 How Poland can use shale gas profitably for climate change and with low risk to the environment

- Assessing the state of play in the development of shale gas in Poland and Europe
- Minimising the impact of shale development on the landscape and local communities

Andrzej Kassenberg, President, Institute for Sustainable Development, Poland



On the photo to the left, police line up inside the conference room leading to the doors inside a hall passage way, and then down a flight of steps leading to the delivery area in

the rear of the hotel. The top photo to the right are female police officers dragging a young woman away. Below, a young man is dragged down the stairs by male officers. They are carrying batons.





09.05 Keynote Address: understanding the regulatory and environmental requirements for shale gas development
Shad Watts, Director of Community Consultation and Regulatory Affairs, Nexen

The demonstration events at the Hotel Intercontinental cast a gloomy shadow on the conference event proceedings, and no doubt many things were being said in quiet during the refreshment breaks, gala dinners and parties afterwards.



09.55 Shale gas and European Union energy policy

- Explaining European Commission initiatives and their relevance to unconventional gas
- Clarifying the EU legal framework for hydrocarbon exploration and production
- Outlining challenges shale gas will have to face in Europe

Michael Schuetz, Policy Officer, **Directorate-General for Energy, European Commission**

ASSESSING THE METHODS AVAILABLE TO REDUCE THE ENVIRONMENTAL IMPACT OF SHALE DEVELOPMENT

11.45 Effectively operating in environmentally sensitive areas

- Learning from North American shale completion and production methods
- Reducing footprint methods, how to operate in sensitive areas

Darcy Spady, Managing Director, **St. Brendan's Exploration**

On December 7, 2011, the *Frack Off: Don't Frack with the UK* website ⁴ posted a descriptive about the Warsaw demonstration event. "Last week Polish activists disrupted the "Shale Gas World Europe 2011" conference in Warsaw. Below we republish their press release in it's entirety:"

A meeting of the largest international energy corporations began on Monday, November 28th, in Poland's capital, Warsaw. The CEOs and representatives of Halliburton, Talisman Energy and Dow Chemical amongst others flew in to network with members of the European Commission and the Polish government behind closed doors and away from the public eye at the downtown InterContinental hotel (the cheapest "silver" entry pass cost 10,000 zlotys/2,500euros. Most Poles earn about 1,000 zlotys per month). Conference participants aimed to showcase the future profits of their shale gas investments, which thanks to the smooth politicking of Polish authorities, are to make Poland the next Niger Delta.

Just before the opening keynote speech, planned for 9 am on Tuesday, November 29th, a flash mob congregated in the downstairs lobby. While a group of drummers beat rhythms to the distraction of hotel security, a passerby dropped a suitcase full of golf balls that scattered all around the hall. In the meantime, a large banner was dropped from the upstairs banister displaying a raised middle finger resembling a drilling derrick complete with lighted gas flame on top. The banner read, "Frack You!" and listed over two dozen towns and regions around the world where fracking is being protested or has already been banned. Amidst this commotion, another group entered the main conference ballroom on the second floor. Linking arms and sitting down on the stage, they blocked the keynote, forcing the conference participants to leave and wait outside. During this time, the group organized an alternative conference in solidarity with the residents of Poland on whose land fracking is underway in spite of protests.

From Pomerania to Philadelphia, from Syracuse to Sulęczyno, from Lewino to Lancashire, residents of drilling towns have experienced the consequences of hydraulic fracturing and are demanding the same thing: an end to their dispossession and a halt to the tragic degradation of the environment. When their complaints and protests fall on the death ears of mainstream media and patronizing officials (As if the well water in Rogowo in the Lubelskie Region is contaminated due to the locals' "backward fear and lack of knowledge") people are forced to take matters into their own hands. In Opole Stare, Kraśnik and Kostry, disenfranchised locals have begun sabotaging drilling sites, removing over 300 m of otherwise worthless specialty seismic cables on one occasion, and an entire set of hydraulic fracturing machinery on another. The residents of Stężycza and Sulęczyno declared last week that they will block roads leading to drilling sites. Taking cues from their initiatives, we decided to interfere in Tuesday's undemocratic meeting.

After blocking the conference for two hours, we were forcibly removed from the ballroom by police and transported to arrest. We have all been charged with trespassing and are facing up to one year of imprisonment. This charge is peculiar. While we are accused of wrongful interference in InterContinental's possessory rights over their property, it is corporations who are forcing entry onto peoples' land, fracturing the earth under their homes, inducing earthquakes and contaminating their water supply. The most radical form of trespassing to which communities in Poland are subjected, involves the expropriation of land in the name of corporate profits. This practice has been legally sanctioned by the new law on geology and mining, according to which regional governments and local communities are excluded from decision making processes that concern gas and oil exploration. This same law renders geological resources a "public good" under the exclusive jurisdiction of the state, which sold shale gas concessions without consulting local people.

With a decreasing toolkit of legal instruments, endangered by corporations and abandoned by the state, the residents of Poland, just like their counterparts in other countries, are forced to take the

⁴ <http://frack-off.org.uk/poland-fracking-opponents-block-shale-gas-conference/>

initiative. Despite absurd accusations of “acting against national interests”, direct intervention appears to be the only effective means of preventing local tragedies. Ultimately, it is grassroots protests that authorities like Vice Minister Blaszczyk and international corporations fear the most.

Eleven out of the twelve of us detained were released after 8 hours in arrest. One was additionally charged with aggravated assault of a police officer. She remained in arrest overnight and is facing up to three years in prison. Two drummers were fined 200zł (50euros) each for alleged disorderly conduct.

A solidarity fund for the group’s legal defense has been started. All contributions to the following account are warmly encouraged and greatly appreciated as the group’s initiative was entirely grassroots, as are their pockets in general.

Solidarity Fund Account: PL 08 1240 1024 1111 0010 2760 9063

SWIFT (IBAN) code:

PKOPPLPW

Two days following the demonstration event at Warsaw’s prestigious Hotel, a demonstration was held in Dublin, Ireland, during the December 1, 2011 5th *National Water Summit* meeting.

Photographs of the demonstration events that day were posted on the Stop Fracking Ireland website (<http://what-the-frack.org/>).



14. INTEGRITY ON TRIAL: THE LIABILITY NIGHTMARE

*With age, the integrity of all wellbores deteriorate. Cracks and fissures develop in the annular cement due to a number of factors related to cement composition, thermal stress, hydraulic stress, compaction, wellbore tubulars, and the downhole environment. The most significant cause of sustained casing pressure in the outer casing strings is a poor cement bond that results in the development of cracks and annular channels. The cracks and microannulus channels through the cement provide a path for high-pressure fluids to migrate from deeper strata to low-pressure strata or to the surface.*¹

From the most ancient to ‘modern’ times, the greatest philosophers and thinkers have consistently stated and agreed that human beings are unlike any other warm and cold blooded creatures. Simply, what sets us apart is our seemingly endless extraordinary capacity to think and communicate with each other in complex ways, our spiritual desires and abilities to apply our intelligence in reshaping and altering the physical world in which we inhabit, for good and for evil. Of all the thousands of years that humanity has managed to live and survive on Mother Earth, the Third Orb from our Sun, none have ever done before what recent generations are increasingly doing: chemically drilling into and chemically fracking her skin and mantle, technological actions not without long term consequences, consequences very difficult to predict or repair.

Somewhere in-between the timeline when the petroleum drilling era began in the 1800s and now, people, with their abilities of creative intelligence and capacity for vision, must have realized the inherent consequences and problems of penetrating and pricking the earth with holes. When these hole and cavity makers eventually realized that their artificial casings, fillings and plugs were only temporary substitutes - much like dentists filling teeth cavities - whereby every single hole drilled and sealed would have to bow before the almighty and inflexible law of material geochemical disintegration and corruption, did the professional hole makers then duly inform and advise us and our governments about the impending problems humanity must inevitably face as a result? If the hole makers had collectively, honestly and accurately advised us of the cumulative consequences long ago, would they have steered us away from doing so in the future?



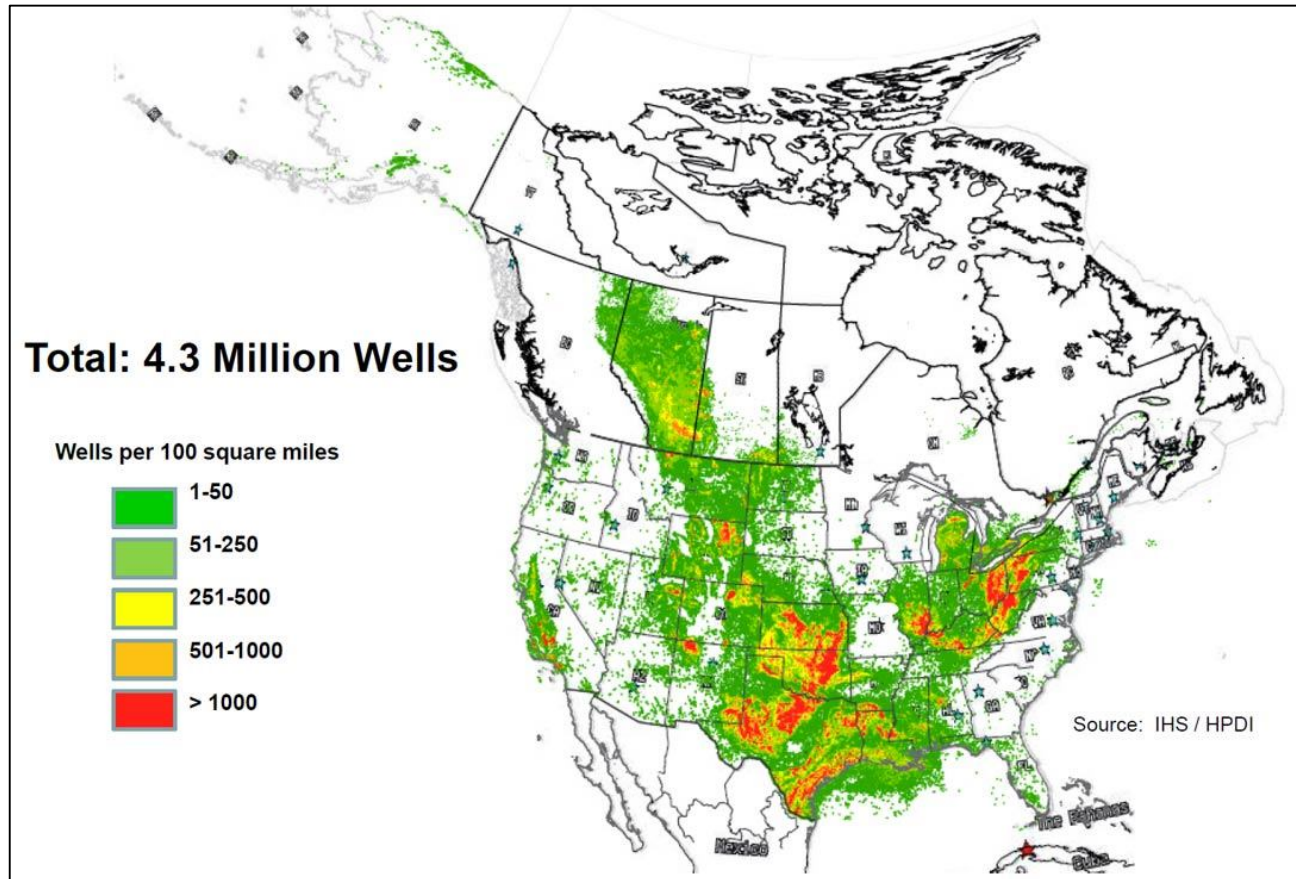
Unlike human beings, mother earth’s pierced and pin-holed skin lacks the miraculous and mysterious quick self-healing powers found in the skin and bodies of humans and earth’s creatures and life forms. The professional petroleum doctors assigned to monitor mother earth under their hippocratic care and ward may be facing an unprecedented malpractice lawsuit for fudging the medical charts.

In the hundreds of thousands and millions of wells drilled and fracked in just over a century on planet earth, has humanity’s hubris paid the ultimate price, or, has mammon-infected hubris become an unbridled monster? Have we been fooled, or are we simply fooling ourselves? As musical artist Bob Dylan sings it, the answers are eerily “blowing in the wind.”

¹ *Microannulus Leaks Repaired with Pressure-Activated Sealant*, Society of Petroleum Engineers, #91399, 2004.

14-(1). Reality Check: Responsible or Irresponsible? Prudent or Imprudent? Prudent or Perverted? Definitely not Sustainable and Very Unconventional

Examine the image below. Take a careful look. Now, sit back and give yourself ample pause to ponder and think.



What do you see here? What are you imagining and thinking about when you look at it? Does this image in any way disturb you? It ought to. If it doesn't, it's time for a reality check, particularly with regard to what the petroleum industry is proposing to our governments about what will occur over the following decades in addition to the damage already done by their insatiable needling.

This frightening and disgusting image of the total/cumulative number of oil and gas wells developed in the United States and Canada was introduced by Chesapeake Energy Corporation's chair of operations and environmental task force, Paul D. Hegemeier, on September 15, 2011, during the National Petroleum Council's (NPC's) 121st meeting held in Washington, D.C., on September 15, 2011.² At the meeting, the NPC unveiled a draft report and a related series of 49 topic reports and 9 white papers, *Prudent Development of North America's Oil & Gas Resources*.

² The proceedings were video and audio webcast, and a video version is available on the NPC's website. The map showing the 4.3 million wells is not included in any of the NPC's related reports, but was included in a pdf presentation document for the conference, a document used in the *Prudent Development* U.S. promotional tour from September to December. There are some clues to suggest that the data used for this map is six years old and may therefore be inaccurate. Are there more wells? For instance, it was stated in a 2002 report by the Canadian Council of Ministers that there were at least 600,000 abandoned wells in Canada with unknown integrity on their casing.



During the question and answer period at NPC's conference event, James Hackett responded to a question from a Platt's reporter. Hackett spoke about "*community impact challenges and community communication challenges that we have as an industry.... One of the things that we've got to make sure, and this is one of the things that the report addresses, is that we reassure the public that things are being done in the proper fashion.... Getting information to ... other stakeholders is a very important part of our job.*" 46 days later, on October 31, 2011, on Halloween day, Hackett's Manager of External Affairs with Anadarko Petroleum, **Matt Carmichael**, said some startling things about how Anadarko was 'communicating' with the public in its "media plan."

Carmichael said that "**we are dealing with an insurgency**," and that he was using the "U.S. Army/Marine Corps Counterinsurgency Manual" to deal with the public regarding shale gas controversies, and recommended public relations representatives "in this industry" to do the same. Carmichael also said that his "bible" was "Rumsfeld Rules."³

James Hackett, the chairman and ceo of **Anadarko Petroleum**, gave the overview introduction of the *Prudent Development* report at NPC's meeting event. Hackett was the Committee Chair of the NPC's *Prudent Development* study report initiative which transpired over a period of two years following a September 16, 2009 directive by U.S. Secretary of Energy Steven Chu to the NPC to, in part, reassess the development of unconventional oil and gas potential:



*Even as **we transition** to a lower carbon energy future, **fossil fuels will continue to play a major role** in the Nation's energy mix for many decades. An important part of this transition will be to recognize and **responsibly develop the natural gas resources supply chain and infrastructure in North America**. In recent years, there have been significant new developments in the North American natural gas and oil resource base. In particular, **large new unconventional source of natural gas and oil have been identified....** I request the National Petroleum Council to **reassess** the North American resources*

*production supply chain and infrastructure potential, and the contribution that natural gas can make to a lower carbon fuel mix... Of particular interest is the Council's advice on policy options that would allow **prudent development of North American natural gas and oil resources consistent with government objectives of environmental protection, economic growth, and national security....** I am designating Deputy Secretary Dan Poneman to represent me and to provide the necessary coordination between the Department of Energy and the National Petroleum Council. He will also provide coordination between the Department of the Interior, Department of Transportation, Environmental Protection Agency, and other Federal Agencies as required.*

³ See chapter 13-(10-a) of this report for the details.

Chu's September 16, 2009 directive occurred:

- when U.S. State Secretary Clinton appointed David Goldwyn as the new U.S. international energy envoy, who then implemented the Global Shale Gas Initiative, and signed initial U.S. industry cooperative shale gas and oil agreements with China and India;
- after the U.S. FRAC (Fracturing Responsibility and Awareness of Chemicals) Act was introduced in June, 2009;
- and just prior to the Environmental Protection Agency's public review of life-cycle fracking.

Was Chu steering his Nation in the proper direction when he issued the petroleum initiative to the NPC? Not according to the information that has since transpired about how methane, and the lifecycle operations of its exploration, production and delivery, is, and will continue to severely add to the looming problems of global warming. Not if one understands the long term transmission liabilities and threats from wellbores on the toxication and radiation of subsurface environments.

Chair – Committee James T. Hackett Chairman and Chief Executive Officer Anadarko Petroleum Company	Chair – Coordinating Subcommittee D. Clay Bretches Vice President, E&P Services and Minerals Anadarko Petroleum Company	NATIONAL PETROLEUM COUNCIL The National Petroleum Council (NPC) is an organization whose sole purpose is to provide advice to the federal government. At President Harry Truman's request, this federally chartered and privately funded advisory group was established by the Secretary of the Interior in 1946 to represent the oil and natural gas industry's views to the federal government: advising, informing, and recommending policy options. During World War II, under President Franklin Roosevelt, the federal government and the Petroleum Industry War Council worked closely together to mobilize the oil supplies that fueled the Allied victory. President Truman's goal was to continue that successful cooperation in the uncertain postwar years. Today, the NPC is chartered by the Secretary of Energy under the Federal Advisory Committee Act of 1972, and the views represented are considerably broader than those of the oil and natural gas industry. About 200 in number, Council members are appointed by the Energy Secretary to assure well-balanced representation from all segments of the oil and natural gas industry, from all sections of the country, and from large and small companies. Members are also appointed from outside the oil and natural gas industry, representing related interests such as states, Native Americans, and academic, financial, research, and public-interest organizations and institutions. The Council provides a forum for informed dialogue on issues involving energy, security, the economy, and the environment of an ever-changing world.
Government Cochair – Committee Daniel P. Poneman Deputy Secretary of Energy U.S. Department of Energy	Government Cochair – Coordinating Subcommittee Christopher A. Smith Deputy Assistant Secretary for Oil and Natural Gas U.S. Department of Energy	
Vice Chair – Resource & Supply Marvin E. Odum President Shell Oil Company	Chair – Resource & Supply Task Group Andrew J. Slaughter Business Environment Advisor – Upstream Americas Shell Exploration & Production Company	
Vice Chair – Operations & Environment Aubrey K. McClendon Chairman of the Board and Chief Executive Officer Chesapeake Energy Corporation	Chair – Operations & Environment Task Group Paul D. Hagemeyer Vice President, Regulatory Compliance Chesapeake Energy Corporation	
Vice Chair – Demand Daniel H. Yergin Chairman IHS Cambridge Energy Research Associates, Inc.	Chair – Demand Task Group Kenneth L. Yeasting Senior Director, Global Gas and North America Gas IHS Cambridge Energy Research Associates, Inc.	
Vice Chair – Policy Philip R. Sharp President Resources for the Future	Chair – Policy Subgroup Susan F. Tierney Managing Principal Analysis Group, Inc.	
	Chair – End-Use Emissions & Carbon Subgroup Fiji C. George Carbon Strategies Director El Paso Corporation	
	Chair – Macroeconomic Subgroup Christopher L. Conoscenti Executive Director, Energy Investment Banking J.P. Morgan Securities LLC	

One of the NPC's study reports, *Sustainable Drilling of Onshore Oil and Gas Wells* (Paper #2-23), doesn't include comments about why the report is called "sustainable" drilling. In other words, the title merely 'suggests' that it is, and nowhere in this 22-page document is there a discussion about the long-term consequences of drilling, when the casings and cement in and along hundreds of thousands of well bores begin to deteriorate over time. And, there is no reference to, or discussion of, the findings and committee workshops of the Well Bore Integrity Committee (formed in 2005).

In the NPC's companion-theme document, *Plugging and Abandonment of Oil and Gas Wells* (Paper #2-25), there is also no reference to the findings and meetings of the Well Bore Integrity Committee. There is, nevertheless, a few interesting related tid-bits:

*Recent shale-gas developments have rediscovered some P&A (Plugging and Abandonment) issues in the forms of **older oil or gas wells which never were adequately plugged but which now pose possible cross-contamination or leakage risks**. Furthermore, eventual retirement of uneconomical shale-gas wells must address P&A practices that are specific to issues affecting gas wells and especially horizontal gas wells.*

*The lack of progress in P&A practices is attributable to **absence of a long-term vision**, and inattention to corresponding research, that recognizes the benefits of P&A to oil and gas development projects. Specific findings are that:*

- Benefits from reduced operational costs and/or increased production, especially in redeveloped, older fields, generally has been underappreciated.*
- By plugging wells correctly, future environmental issues, related to fluid or gas leakage, can be avoided and thereby preserve savings otherwise eroded by remediation or litigation costs.*
- Research has lagged on materials and methods for plugging wells although advances in technologies for drilling and completion should be applicable to practices in plugging and abandonment.*

On October 12, 2011, the U.S. Center for Strategic and International Studies (CSIS) videotaped a two-hour forum with key leaders involved in the National Petroleum Council's (NPC's) September 15, 2011 report, *Prudent Development*. It was the big opener on the Prudent Development tour in the U.S., later debuted in December 2011 at Rice University's Baker Institute. The event was chaired by CSIS's senior vice president and director of its Energy and National Security Program, Frank Verrastro, who served in both the private and public sectors. In the private domain, he was the director of refinery policy and crude oil planning for U.S. refining giant **TOSCO**, and **Pennzoil**'s senior vice president. On the public side, Verrastro was in the White House with the Energy Policy and Planning Staff, in the Oil and Gas Office with the Department of Interior, and in the Department of Energy's Domestic Policy and International Affairs Office. He is also a member of the Council on Foreign Relations. He also chaired the Geopolitics and Policy Task Groups for NPC's 2007 report, *Hard Truths: Facing the Hard Truths about Energy*,⁴ one of five studies he helped conduct for the NPC.⁵

14-(2). International Well Bore Integrity Committee Makes Shocking Statements

The first of many gatherings of the **Well Bore Integrity Committee** was held on April 2-5, 2005 at Houston, Texas Marriott Woodlands Waterway Hotel and Convention Center, where "over 50 experts from both industrial operators and from research organizations" convened.⁶ The meeting occurred one month before the Bush/Cheney administration passed the Halliburton Loop-Hole exemption. The delegates at this meeting included the following representatives (with affiliations highlighted):

⁴ CSIS online biography.

⁵ The NPC's 2010-2011 membership term included 195 members, most of which were corporate captains of the petroleum industry. In the membership mix: Fred Krupp, the president of the Environmental Defense Fund; Kenneth Medlock from the James A. Baker Institute at Rice University in Houston; Adam Sieminski from the Deutsche Bank AG; Michael Smith from the Interstate Oil and Gas Compact Commission.

⁶ *Report on Well Bore Integrity Workshop*, April 4th - 5th, 2005, Houston. Released: September 23, 2005. Written by Jonathan Pearce, British Geological Survey, on behalf of IEA Greenhouse Gas R&D Programme.

- **Advanced Resources International** - Phil DiPietro, Scott Stevens
- **Alberta Energy and Utilities Board (ERCB)** - Stefan Bachu
- **Anadarko Petroleum** - James Raney, Ricky Williams, Ken Hendricks, Tyson Schwartz
- **Argonne National Laboratory** - John Veil
- **Austin, Texas University** - Jean-Philippe (JP) Nicot
- **Battelle** - Neeraj Gupta
- **Bergen University** - Jan Martin Nordbotten
- **British Geological Survey** - Jonathan Pearce
- **British Petroleum** - Charles Christopher, Tony Espie, Larry Nugent
- **Chevron/Texaco** - Craig Gardner, Ron Lackey
- **Chevron/Texaco Energy Technology Co.** - Scott Imbus
- **Ecole Normale Supérieure de Paris** - Gaetan Rimmele, Bruno Goffe
- **ENI Exploration & Production Division** - Giovanna Gabetta
- **EPRI** - Richard Rhudy
- **ExxonMobil** - Glen Benge, David Stiles,
- **Ground Water Protection Council** - Ben Grunewald
- **Halliburton** - Lance Brothers, Anthony Badalamenti,
- **Illinois State Geological Survey** - John Grube
- **Lawrence Berkeley National Lab** - Larry Myer
- **Lawrence Livermore National Laboratory** - Brian E. Viani
- **Los Alamos National Laboratory** - Bill Carey, Rajesh Pawar, George Guthrie
- **Natural Resources Defence Council** - Jeff Fiedler
- **NETL / U.S. Department of Energy** - Barbara Kutchko, Grant Bromhal
- **New Mexico Petroleum Recovery** - Reid B. Grigg
- **Ohio Department of Natural Resources** - Scott Kell
- **Princeton University** - George W. Scherer, Andrew Duguid, Mohammad Piri, Jean H. Prevost, Michael Celia, Mileva Radonjic, Dmitri Kavetski
- **RMI** - David Tyte
- **Schlumberger** - Veronique Barlet-Gouedard, Kamel Bennaceur
- **SINTEF Petroleum Research** - Inge Manfred Carlsen, Idar Akervoll
- **Statoil** - Tor Harald Hanssen
- **Total** - Pierre Brossollet, Bernard Fraboulet
- **UT Bureau of Economic Geology** - Rebecca C. Smyth
- **U.S. Department of Energy** - Jay Braitsch
- **U.S. Environmental Protection Agency** - Anhar Karimjee, Thor Cutler.

The Well Bore Integrity group identified the following at its inaugural meeting, published some five months afterwards, a statement that is almost unbelievable as a discovery-moment:

*Ensuring well integrity over long timescales **has not been attempted before** and represents a **new challenge** to the oil and gas industries.*

The statement is not only ominous, but it also sounds a bit fishy and suspect. It seems unbelievable that sheer numbers of petroleum scientists and engineers in North America's famed petroleum institution and laboratory halls had never attempted to collectively quantify the repercussions of serious cumulative problems related to well bores, and, in this respect, it seems shocking that they

didn't do so long ago. It perhaps suggests something else, that big petroleum didn't much care about publicly identifying these significant looming problems and dealing with them operationally and globally long ago - it didn't want to disturb a veritable host of hornet nests, and, like some mammoth ostrich, kept its head buried deep in the sand.

The Well Bore group also identified at the first meeting:

It will not be possible to promise a leak-free well, but rather we should emphasise that we can build wells employing state-of-the-art technologies which will reduce risks.

And, stated in the *Key Conclusions* section of the second group meeting on September 6, 2006, *2nd Well Bore Integrity Network Meeting*:

There is clearly a problem with well bore integrity in existing oil and gas production wells, worldwide.

These are critical and amazing revelations. At this point, the reader should take some pause to ponder what is being said here in the context of the history of drilling and fracking, and return to the map above to review the 4.3 million or so onshore and offshore wells in the United States and Canada alone, never mind the additional legions of well bores throughout the world. The important question to ask is, how long has it been known within the ranks of the petroleum industry that oil and gas wells are not "leak-free", as thousands and thousands of wells continue to be drilled each year?

Within the group of petroleum professionals that met in the early Spring of 2005, were two members from British Petroleum. (BP's **Charles Christopher** became chairman of the Well Bore Integrity committee.) Even though measures were seemingly being taken, verbally at least, to address the serious concerns about well bore integrity, what did British Petroleum do before its rig exploded with millions of gallons of oil escaping into the Gulf of Mexico? The intense and thorough public inquiries and investigations about this incident found that BP had cut corners. This is the murky reality. How many companies are cutting corners? Why are petroleum company alliances pressuring and getting our governments to de-regulate? How many secrets are there? What is happening underground where the pipes are buried where we can't observe what is really going on?

A U.S. civil engineer and former pipeline inspector recently went public - because of conscientious promptings from his own dear children - and told his story to the public and media about what he witnessed during his inspection days with a large petroleum pipeline operation. Mike Klink said that the international firm Bechtel, under contract with TransCanada Pipeline company, "chose to save money" rather than "safety" during the construction of the first Keystone pipeline. Klink was fired after he raised his concerns to Bechtel. "What did I see? Cheap foreign steel that cracked when workers tried to weld it."⁷ Where is this steel being produced, and what sort of inferior quality does it have? How long has inferior and cheaper steel been used by the petroleum sector? What sort of steel is being used for thousands and thousands of short-length well casings used every year?

A critical component in the domain of well bore integrity relates to cementing issues. Various types of specialized cements are used to seal well bore casings, and it is these cements that formed the

⁷ Mike Klink: *Keystone XL pipeline not safe*, December 31, 2011.

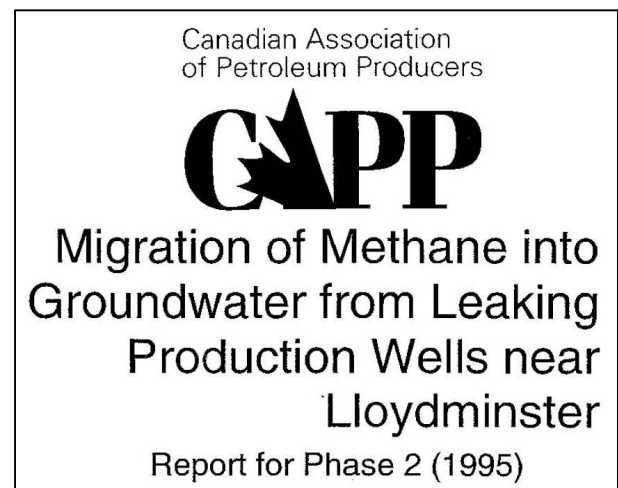
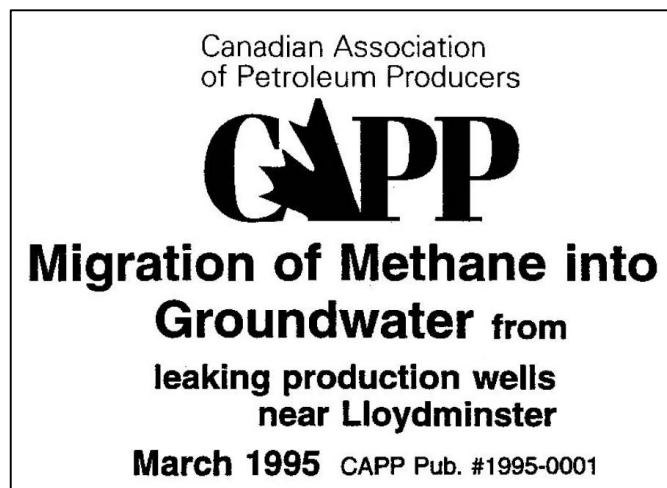
primary concern by the Well Bore Integrity Committee in 2005, and years following. In addition to “cement degradation” issues identified by the Committee in 2005 following, how many companies are cutting corners in cementing and doing it properly? How are the repeated applications in a given well bore by way of intensive brute-force fracking destabilizing the integrity of cement, and of the casing? Etc., etc.

As the world eagerly watches the fracking debates unfolding in the United States and Canada while the petroleum sector is poised to seriously frack mother earth everywhere over and over again, Canada’s largest and politically influential methane gas company, Encana Corporation, is fighting tooth and nail in the media to deny and repudiate the U.S. Environmental Protection Agency’s December 2011 findings about Encana’s fracking operations in the State of Wyoming.⁸ As reported by Andrew Nikiforuk in British Columbia’s Vancouver City-based Tyee:

*an extensive study by the EPA has concluded that highly toxic and cancer-causing fluids from shale gas drilling most likely contaminated shallow groundwater in Pavillion, Wyoming. ... Across the United States landowners have reported nearly 1,000 cases of water contamination in the wake of shale gas fracking operations according to the independent press group, Pro Publica. Scores of contamination problems have also been reported in Alberta.*⁹

14-(3). Big Canada Petroleum and Canadian Government Gas Migration Studies - 1990s

How long has the petroleum industry known that its wells have been leaking, and how far into the future will well bores continue to leak at increasing rates? In the early 1990s, Canada’s largest and most influential petroleum group, the **Canadian Association of Petroleum Producers (CAPP)**, contributed funding for the **Saskatchewan Research Council’s** project investigating underground gas migration contamination of groundwater. The other funders included the **Lloydminster Area Operators Gas Migration Team**, the **Panel for Energy Research and Development**, and the Saskatchewan Research Council.



The Phase 2 report was published in March 1996.

⁸ *Investigation of Ground Water Contamination near Pavillion, Wyoming*, December 2011, EPA 600/R-00/000. Landowners did something unusual. They broke confidentiality agreements made with companies on the contamination of their well water and gave the data to the EPA. Like fracking, these confidentiality agreements should be banned.

⁹ *US Study Casts Pall over BC’s Shale Gas Biz*, Andrew Nikiforuk, December 9, 2011.

- What did the petroleum industry and government gas migration task force discover from their studies in the 1990s about “gas migration” from its operations and “groundwater?”
- Because Alberta and Saskatchewan government regulators were involved in these studies, how was this information disseminated to the public?
- When did CAPP members decide to blame mother nature for their gas migration problems, after it discovered in the early and mid-1990s that the industry is to blame?
- Because CAPP member companies operate around the world, they have known that gas migration is a serious problem, globally.

1.0 INTRODUCTION

In 1995 the Saskatchewan Research Council continued an investigation of gas migration in groundwater in the Lloydminster area. This report documents the 1995 research program, which followed the initial (1994) program (Van Stempvoort and Jaworski, 1995; Schmitz, 1995).

The research project has the following objectives:

- to investigate the occurrence of methane in groundwater near leaking production wells in the Lloydminster study area,
- to determine whether the methane is derived from the leaking well or occurs naturally in the aquifer,
- to determine the concentration gradients and approximate flux rates of methane from leaking wells to shallow aquifers, and
- to predict the migration rate of methane in aquifers under various scenarios of time and physicochemical conditions (e.g., aquifer properties).

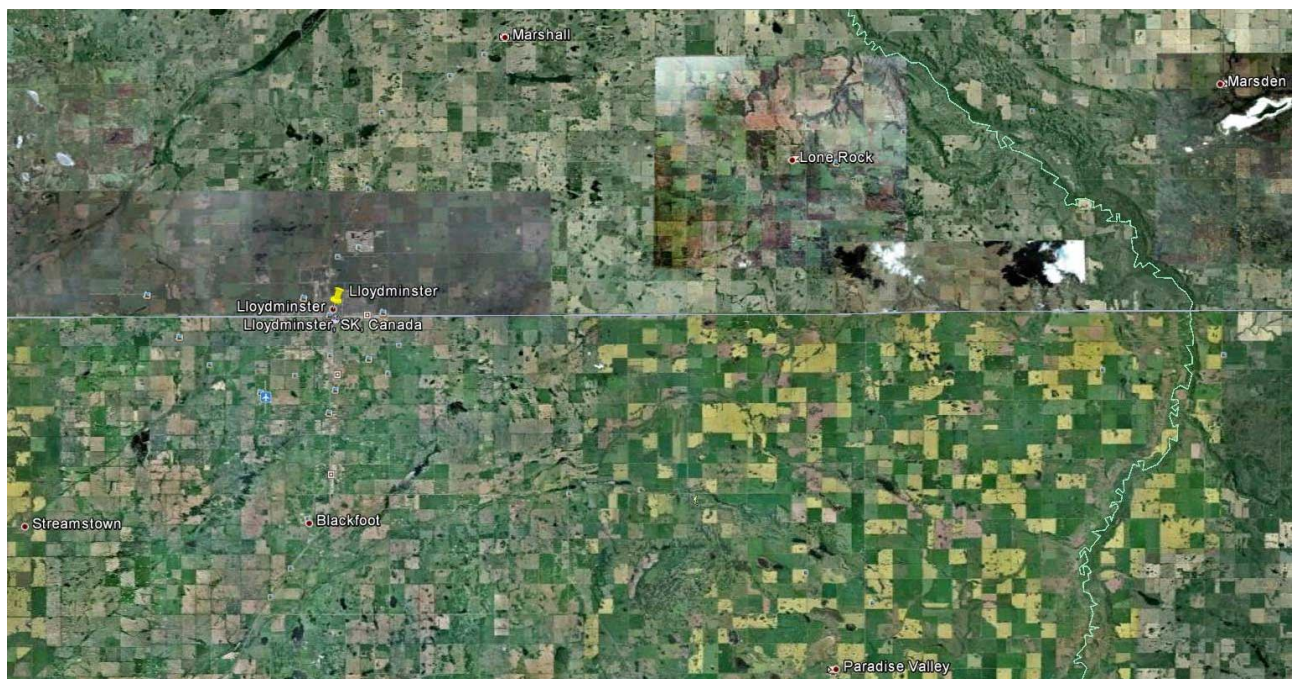
This project is funded by the Canadian Association of Petroleum Producers (CAPP), the Lloydminster Area Operators Gas Migration Team (LAOGMT), the Panel for Energy Research and Development (PERD) and the Saskatchewan Research Council (SRC). In 1995, the steering committee for this program included Ron Schmitz (Husky Oil, CAPP), Garry Lorenz (LAOGMT), Les Bernier (Saskatchewan Energy and Mines), David Blume (Provost Area Surface Rights), Tom Cook (Alberta Energy Utilities Board), Garry Ericson (Saskatchewan Energy and Mines), Margaret Klebek (Alberta Environmental Protection), Kennedy Kohlman (Koch Exploration), Brian Moneta (Elan Energy), Don Roberts (Alberta Energy Utilities Board), Scott Robinson (Saskatchewan Environment and Resources Management), Harold Seitz (Wascana Energy), Kurt Uhrich (Amoco) and Gary Webster (CAPP).

The 1995 program included five components as indicated in the following sections:

- expansion of monitoring at the Lindbergh site,
- selection of five new sites; installation of monitoring wells at two of these sites,
- investigation of dissolved methane and other hydrochemical species,
- development of modelling for simulation of methane migration in groundwater,
- survey of methane in 23 water supply wells in the Lloydminster area.

In CAPP's 1995 report *Introduction*, it describes how the investigation included a "survey of methane in 25 water supply wells in the Lloydminster area," and also included an "investigation of dissolved methane and other hydrochemical species."¹⁰

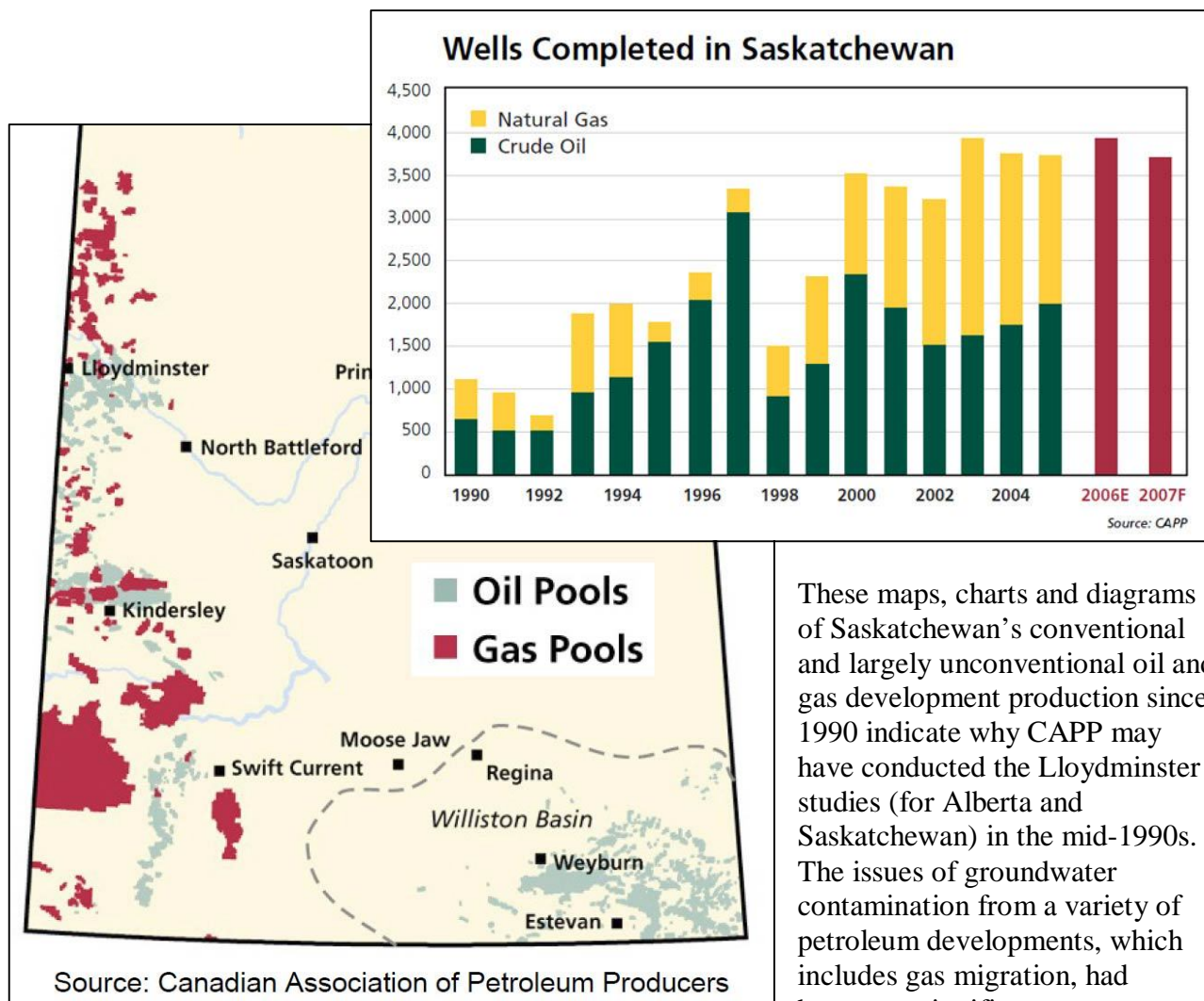
The CAPP gas migration study included a review of approximately 24,000 historic water well records in Alberta. In one of Jessica Ernst's recent public presentations, she states that only 17 of the 24,000 water wells reviewed in the CAPP study "reported "gas" present before oil and gas development."¹¹ Because the Alberta government's historic data records on water wells show essentially no gas present, and because that data became so significant following the significant numbers of drilling and fracking operations in Alberta since the CAPP study reports in the mid-1990s, Ernst described in her public presentations how the Alberta government later altered the public's historic water well records that were posted on the internet by removing the YES/NO box under the "is there gas present" category.



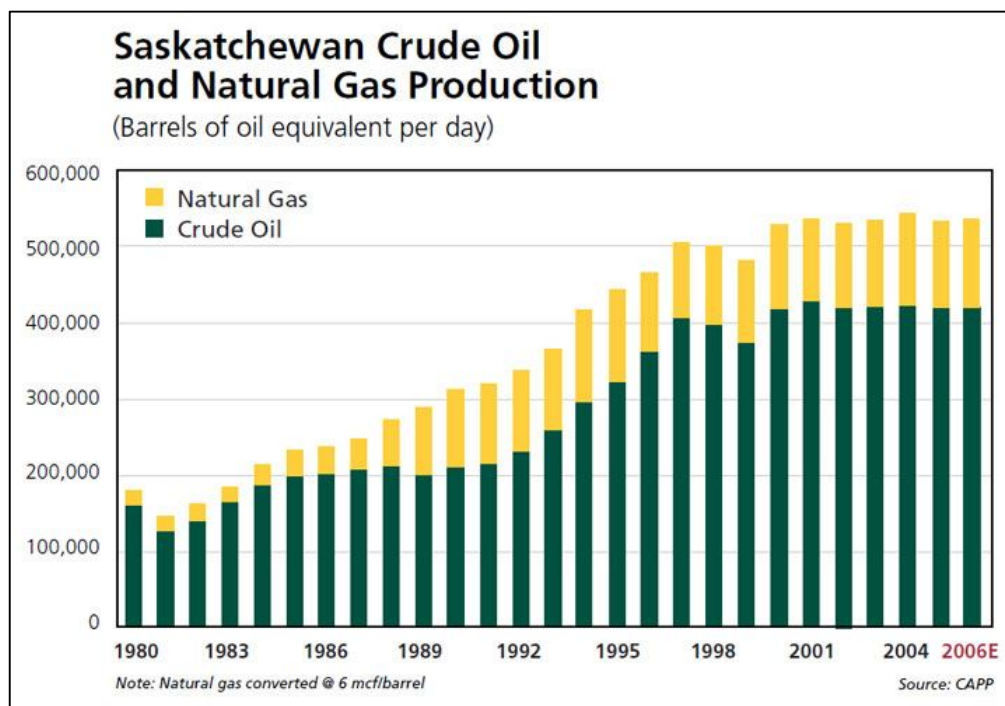
Lloydminster is located on the border between Alberta and Saskatchewan (the horizontal white line in the Google Earth image), directly east of Edmonton, Alberta. The top of this photo points eastward, and Lloydminster is in the middle left of the image. Eventually came the formation of the **Lloydminster Economic Development Corporation**, which, according to its website, "encompasses municipalities in two provinces, Alberta and Saskatchewan," representing "heavy oil and gas reserves." The website also summarizes the history of Husky Oil's refinery, which in 1992 was upgraded at a cost of \$1.6 billion, and refines "heavy oil." The website also describes how "the drilling of long, horizontal wells at shallow depth was perfected in the 1980's and the early 1990's in the greater Lloydminster Region."

¹⁰ 'Dissolved methane' means methane gas that is mixed in water. In Alberta, petroleum companies oddly no longer test for dissolved methane as Alberta's regulator, the ERCB, formerly required them to do. For copies of CAPP's 1995 studies, contact CAPP!

¹¹ *There's a hole in their story*, October 27, 2011, Edmonton.



These maps, charts and diagrams of Saskatchewan's conventional and largely unconventional oil and gas development production since 1990 indicate why CAPP may have conducted the Lloydminster studies (for Alberta and Saskatchewan) in the mid-1990s. The issues of groundwater contamination from a variety of petroleum developments, which includes gas migration, had become a significant concern.



Land Disturbance

Table 9 shows the increase in the number of wells drilled each year from 1995 to 2002; in 1995 a total of 2,092 oil and gas wells were drilled, compared to 3,401 wells in 2002. Adding these annual figures to the total number of wells in existence in the province prior to 1995 provides an estimate of the total number of wells in the province. Prior to 1995, there were an estimated 50,557 oil and gas wells in Saskatchewan.¹⁰ This means that with the 2,092 wells drilled in Saskatchewan in 1995, there were a total of 52,649 wells or wellpads in the province at the end of that year. Assuming one hectare of disturbance for each wellpad, 52,649 hectares of land is

¹⁰ Saskatchewan Department of Industry and Resources. *Mineral Statistics Handbook*, 2001.

disturbed in Saskatchewan by oil and gas wellpads. Between 1995 and 2002, the footprint associated with wellpads in the province increased from 52,649 to 74,105 hectares. That 41 percent increase in the amount of land disturbed by oil and gas wellpads in the province occurred in just seven years.

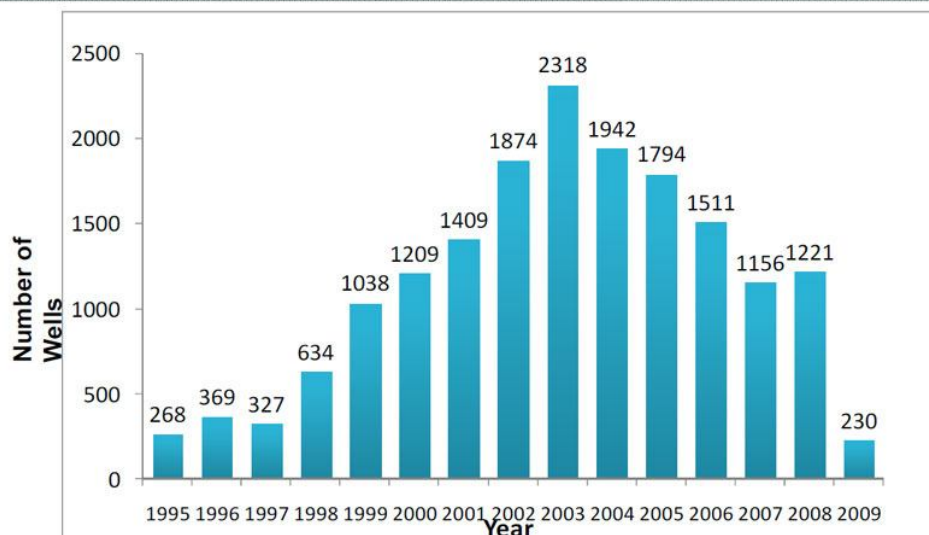
Table 9 Number of wells drilled in Saskatchewan, 1995 to 2002

WELLS DRILLED	1995	1996	1997	1998	1999	2000	2001	2002
Oil	1,550	2,039	3,059	908	1,298	2,330	1,954	1,489
Gas	210	307	248	567	990	1,160	1,372	1,713
Abandoned and Suspended	332	518	525	202	185	210	183	199
Total Annual Growth	2,092	2,864	3,832	1,677	2,473	3,700	3,509	3,401
CUMULATIVE FOOTPRINT (hectares)	52,649	55,513	59,345	61,022	63,495	67,195	70,704	74,105

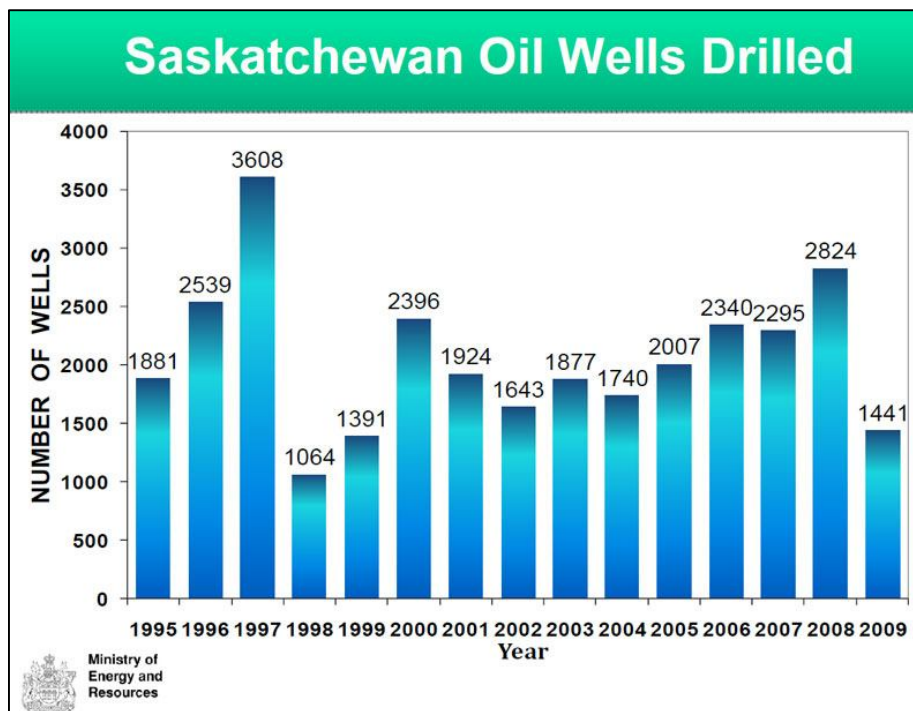
Source: Saskatchewan Industry and Resources, *Mineral Statistics Yearbook*

The trend in the table above is expected to continue. Saskatchewan anticipated record drilling activity in 2003, with a total of 3,900 wells drilled,¹¹ compared to 3,401 wells drilled in 2002. Table 10 shows the total length of all pipelines built in Saskatchewan each year from 1995 to 2002. Prior to 1995, there were 17,837 kilometres of pipelines in the province. Adding this figure to the 1995 figure reveals the total kilometres of oil and gas pipelines in Saskatchewan at the end of 1995: 18,133 kilometres. The cumulative figures in Table 10 demonstrate the expansion of oil and gas pipelines in the province between 1995 and 2002, from a total of 18,133 kilometres in 1995 to a total of 21,125 kilometres in 2002. That is a 17 percent increase in the total kilometres of pipelines in the province over seven years.

Saskatchewan Gas Wells Drilled

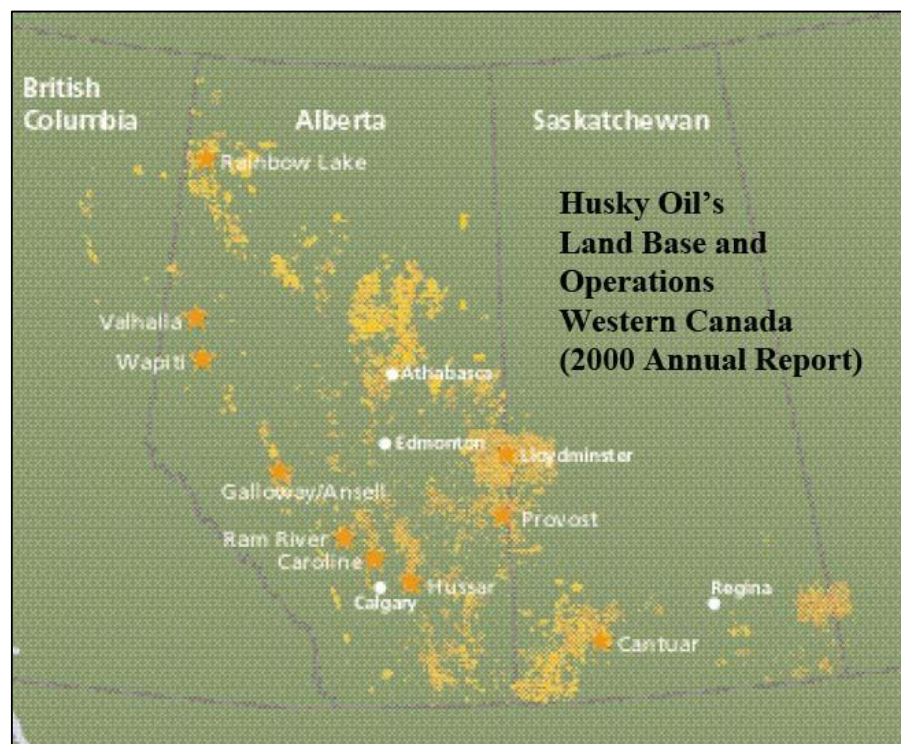


Ministry of
Energy and
Resources



14-(3.a). Ron P. Schmitz, P. Carlson, M.D. Watson, B.P. Erno - 1993 Husky Oil Study

About two years before CAPP's Lloydminster studies, one of Canada's former largest petroleum companies, **Husky Oil**, a member of CAPP, conducted an internal, non-peer reviewed research study on methane gas migration. The initial results were published in 1993 for Husky by Schmitz et. al, *Husky Oil's Gas Migration Research Effort - an Update*. Husky's researchers reported that the problems of methane gas migration caused by Husky's wells were substantial, whereby 46 percent of the wells that they tested *already* had gas migration. They reported to Husky that it would be too difficult to completely prevent the gas from escaping, and too expensive, too costly to repair. They also found that Husky's deep well bores were leaking biogenic methane ("swamp" gas) to surface.¹²



¹² Jessica Ernst, *There's a Hole in Their Story*, Lethbridge powerpoint presentation, November 24, 2011.

14-(3.b). R.W. Krooyman, M.B. Muir, R.P. Marcinew, K. Bennaceur in Manitoba

About five years before CAPP's Lloydminster studies, a number of researchers, Krooyman et. al., published peer reviewed data in a September-October 1989 issue of the Journal of Canadian Petroleum Technology, *Effective Hydraulic Fracturing of the Lower Amaranth Formation in Southern Manitoba*, concerning the contamination of underground water zones by several petroleum wells in the province of Manitoba. It concerned areas fracked (hydraulic fractured) for oil in southwest Manitoba, in the **South Pierson field**. The authors related that fracking in several oil wells propagated into the underlying water zone.¹³

14-(3.c). Dyck & Dunn in Saskatchewan

About ten years previous to CAPP's Lloydminster studies, a 1986 peer reviewed document authored by Willy Dyck & Colin E. Dunn (with the Geological Survey of Canada), published in the Journal of Geophysical Research, *Helium and Methane Anomalies in Domestic Well Waters in Southwestern Saskatchewan, Canada, and their Relationship to other Dissolved Constituents, Oil and Gas Fields, and Tectonic Patterns*, made a disturbing conclusion about water well contamination by the petroleum industry in the province of Saskatchewan, whereby "methane concentrations were the highest where petroleum industry drill hole density increased."¹⁴ The finding was based on data the authors collected **ten years before their report was published**. In the summer of 1976, the authors conducted a regional groundwater survey of 939 (nine hundred and thirty-nine) water wells and springs over an area of about 18,000 square kilometres in the southwest part of Manitoba. In areas closest to oil and gas wells is where the authors found the highest concentrations of methane.

14-(4). The 1994 Chafin (in the closet) Report

The CAPP Lloydminster 1995-1996 reports apparently relied upon an American federal government report as a general template for its studies (see page 14-15 for excerpts from Phase 2). That document (preceded by a January 1993 Chafin et.al. interim report¹⁵) was published by the U.S. Geological Survey in 1994 and was authored by Daniel T. Chafin, *Source and Migration Pathways of Natural Gas in Near-Surface Ground Water Beneath the Animas River Valley, Colorado and New Mexico USGS Water Resources Investigations*.¹⁶ The Chafin report is, without question, one of the most important earlier precedent documents researched and published by the U.S. government on underground methane migration caused by and linked to the petroleum industry, and is important as a precursor of Canadian studies by private and public sectors.

In fact, the 'well' researched report - tri-funded in the neighbourhood of \$250,000 by the USGS, the oil and gas industry, and La Plata County - became such a source of irritation to both the petroleum industry - even though the petroleum industry had funded it - and to federal and state government agencies because of its stimulating and profound findings, that it was essentially cast into the proverbial closet. For instance, was it sheer coincidence that the EPA's industry-stacked committee in its voluminous final 2004 report, *Evaluation of Impacts to Underground Sources of Drinking*

¹³ Ibid.

¹⁴ Ibid.

¹⁵ D.T. Chafin, D.M. Swanson, and D.W. Grey, 1993. *Methane-concentration and methane-isotope data for ground water and soil in the Animas River Valley, Colorado and New Mexico, 1990-91: Interim Report*. USGS, Water Resources Investigation Report 93-4007.

¹⁶ CAPP's reports used part of Chafin's title in their reports, signifying the importance of Chafin's work.

*Migration of Methane into Groundwater from Leaking Production Wells Near Lloydminster
Report for Phase 2 (1995)*

7.3 Methane in Groundwater in Other Oil and Gas Producing Areas

Dyck and Dunn (1986) found methane (and helium) anomalies associated with oil and gas fields in southwestern Saskatchewan. In their 1976 survey of 939 domestic wells and springs, they found that methane concentrations tended to be highest in areas where exploration drill hole density increased, and also had a weak positive correlation with depth of sampling.

Chafin et al. (1993) and Chafin (1994) documented a 1990-91 survey of 203 water supply wells and 2 springs in the Animas River Valley of Colorado and New Mexico. Gas has been produced from various formations in this area for decades. Recent expansion of the development of a coal-bed gas field in this area has led to public concern about "the possibility of increasing concentrations of natural gas in domestic water supplies".

A concurrent survey of soil gas concentrations was conducted, at the groundwater collection sites and adjacent to 352 gas wells in the area. The carbon isotopic composition of methane in a few of the groundwater samples was analysed and compared to data for gas from production wells, cathodic-protection wells and soil adjacent to gas wells in the area. Chafin (1994) concluded that most "shallow" gas in the area is probably derived from deep, thermogenic sources. Chafin did not find evidence for substantial vertical migration of methane by natural processes, including diffusion and fracture transport. He stated that the soil gas data "indicate that gas-well annuli are more important than natural fractures for the upward migration of gas". Chafin concluded that "manmade migration pathways probably introduced most near-surface gas to the study area".

8.0 SUMMARY AND RECOMMENDATIONS

Samples were collected from all available monitoring wells and analysed for methane concentrations and other selected hydrochemical parameters. Elevated concentrations of methane were detected in the aquifers at each site. The levels were typically highest within several m of the production wells.

Carbon Isotope Consortium (1994-2000):

**Excerpts from the
March 1996 CAPP
Report for Phase 2
(1995)**

**and a list of all
the members in
the study**

Husky Oil Operations Ltd.
Canadian Occidental Pet. Ltd.
Amoco Canada Petroleum Company
PanCanadian Petroleum Limited
Murphy Oil Company Ltd.
Anderson Exploration Ltd.
Ranger Oil Ltd.
Petro-Canada Ltd.
Koch Exploration Canada Ltd.
PetroVera Resources Limited
Imperial Oil Ltd.

Pat Foo (EUB)
Bryan Szatkowski (Gchem)
George Vilcsak (Maxxam)

Water by Hydraulic Fracturing of Coalbed Methane Reservoirs, failed and ignored citing the critical 1994 Chafin report in a separate appendix dedicated to the San Juan fracking basin?

Four years after Chafin's final report was published, the U.S. inter-state Ground Water Protection Council and the Interstate Oil and Gas Compact Commission - while jointly counteracting the LEAF versus EPA litigation¹⁷ working its way through the federal courts - had the cheek and audacity to state to U.S. politicians and the public that fracking was not responsible for contaminating America's groundwater systems.

Other counter-spins ensued shortly afterward in the Colorado/New Mexico professional petroleum contracting network, whereby geologist Steven Finch Jr. wrote a short report in September 1996 saying that it was "impossible" to determine if the petroleum industry was "responsible" for the "methane contamination" cases as reported by Chafin in 1994.¹⁸

Due to a combination of factors coming to bear by the mid-1990s exposing the highly controversial problems and liabilities of drilling and fracking, the petroleum counter forces began to declare Marshall Law on science and 'evidence' that challenged its unbridled forays into mining North America's unconventional resources as North America's conventional oil and gas reserves were in decline through rapid depletion. By controlling American State and Canadian Provincial regulators, the petroleum complex was hoping to get away with and stall some of the more formidable environmental and health scandals that

Sources and Migration Pathways of Natural Gas in Near-Surface Ground Water Beneath the Animas River Valley, Colorado and New Mexico

by Daniel T. Chafin

U.S. GEOLOGICAL SURVEY

Water-Resources Investigations Report 94-4006

Shallow ground water contains natural gas in parts of the San Juan Basin that are underlain by gas-bearing rocks of Cretaceous age. Domestic water supplies are obtained from aquifers in rocks and alluvium of Tertiary age overlying Cretaceous rocks. Recent development of methane from coal beds of the Fruitland Formation in the San Juan Basin has caused public concern about the possibility of increasing concentrations of natural gas in domestic water supplies. The Animas River valley, one of the most populated areas in the San Juan Basin, is underlain by productive gas fields of the Fruitland Formation and other rocks. In July 1990, the U.S. Geological Survey began a study of the occurrence of natural gas in ground water in the Animas River valley between Durango, Colorado, and Aztec, New Mexico (fig. 1). This study was done in cooperation with the Colorado Oil and Gas Conservation Commission (COGCC), La Plata County, Colorado, and the Southern Ute Tribal Council. Existing data were provided by the New Mexico Oil Conservation Division (NMOCD), the Gas Research Institute, and Amoco Production Company.

The purpose of the study was to identify the sources and migration pathways of natural gas in near-surface ground water in the Animas River valley. The specific objectives of the study were to:

- (1) Map the occurrence of methane in near-surface ground water;
- (2) Assess the current chemical quality of near-surface ground water and evaluate the potential for upward movement of water containing large concentrations of dissolved-solids; and
- (3) Determine possible sources and pathways of migration for natural gas in near-surface ground water.

Sources could include bacterial processes at shallow depths, indigenous thermogenic gas in near-surface aquifers, or thermogenic gas from deep gas-yielding reservoirs. Pathways to the near-surface environment could include upward diffusion through rock pore spaces, migration along natural fractures, leaking gas wells, gas-well annuli, and other manmade conduits.

¹⁷ See Chapter 9 of this report for the details.

¹⁸ *Groundwater Issues Related to Coal-bed Methane Production Northern San Juan Basin, New Mexico and Colorado.*

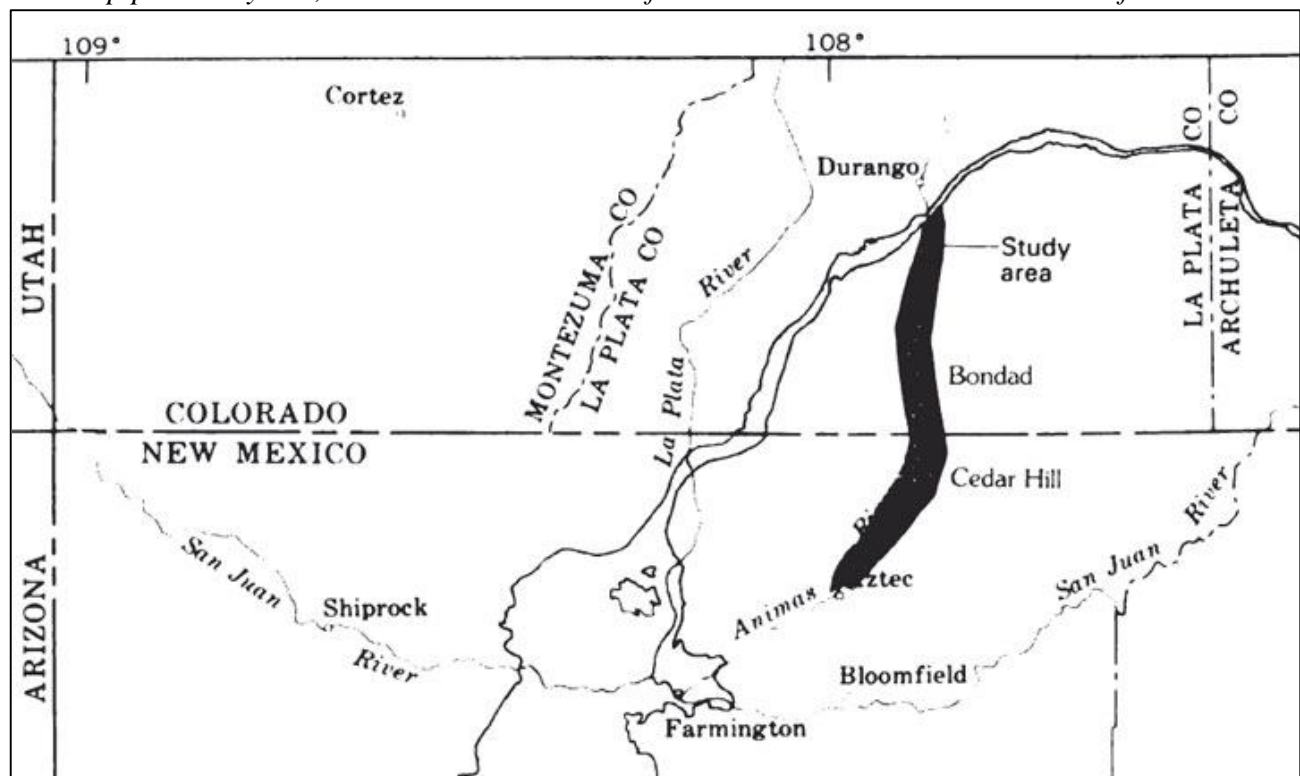
have come to bear in North Petro America. The almighty dollar became the definitive motivation for state and federal tax revenues, for landowner agreements, and for petroleum contractors, in the facilitation of the pro-fracking campaign machine.

The following is a copy of an entire article published in the *High Country News* on April 19, 1993, ***Fouled Water Leads to Court.***¹⁹ It concerns the landowners who had complained to the Colorado and New Mexico State governments and to federal government officials since the 1980s about the unconventional coalbed methane developments in the lower Colorado and upper New Mexico sections of the San Juan coalbed basin:

DURANGO, Colo. - After years of futile public hearings, letter-writing and media campaigns, residents of La Plata County in southwestern Colorado have turned to lawsuits and civil disobedience to protect themselves from the impacts of an oil and gas boom. Since 1980, the year Congress approved lucrative tax credits for coalbed methane gas production, U.S. energy firms have drilled over 1,000 wells into coal seams south of Durango looking for pockets of trapped methane gas.

The wells are scattered throughout the Animas and San Juan river basins across a checkerboard of public and private land. While the wells have generated profits for oil companies, they have also brought pumpjacks, pipelines, compressor stations, and gravel transport roads to the residents of mostly rural La Plata County - sometimes right to their backyards (High Country news, 12/4/89).

But what continues to unite residents there and in neighboring New Mexico counties are accounts of foul-tasting well water, flaming pitchers of lemonade and exploding kitchen pipes. For years, residents on both sides of the border have asked the Bureau of Land



¹⁹ Other accounts following the litigation were covered in the Durango Herald.

Struggle of 2 towns against pollution detailed in journal

By BOB QUICK
The New Mexican Staff

Monday, July 23, 1990 THE NEW MEXICAN A-3

Air and water pollution from mining and gas drilling were so bad at two rural towns in northern New Mexico that citizens banded to force state and federal government officials help solve the problems.

That's the story in Questa and Cedar Hill as told in the summer issue of *The Workbook*, a quarterly publication of the Southwest Research and Information Center, a non-profit, Albuquerque-based institute concerned with the environment and social change.

Writer Chris Shuey focused on residents of Cedar Hill who have organized to demand a government investigation into the source of coal-bed methane gas. They say the gas is ruining drinking water and harming crops in their small town a few miles south of the Colorado border in San Juan County.

Organization also is the key for the citizens of Cedar Hill, a small town along the Animas River four miles south of the Colorado state line.

Private wells are common there and so is alfalfa, a hay crop grown by many of the farmers in the area.

Unfortunately, according to author Shuey, both the water wells and the alfalfa aren't what they used to be because a recent surge in boring for methane gas has caused natural gas to bubble up into water supplies and fields.

The natural gas comes from what is known as the Fruitland Formation, coal beds 2,800 feet under the town. Its concentration is so strong it kills alfalfa and makes well water smelly and oily, Shuey said.

The author said the gas even caused a water well to catch fire. The level of natural gas is so high in some wells that they could explode, Shuey said.

The gas buildup wouldn't have happened if thousands of new wells hadn't been drilled to tap methane in the coal beds, Shuey said. The natural gas migrates to the surface along the uncemented portions of the methane wells, Shuey said.

Residents of the area became so concerned about the problem they formed the Cedar Hill Clean Water Coalition and asked the state Oil Conservation Division and the Environmental Improvement Division to conduct a "water fair" to test water supplies.

Management, the Forest Service and the Colorado Oil and Gas Commission for tougher regulations, arguing that gas production is polluting their wells and drinking water. So far the agencies have refused to slow the boom.

Recently, the growing coalition of residents and environmentalists found an ally in a U.S. Geological Survey draft report released earlier this year.

²⁰ In a two-year study, USGS scientists found methane gas in one-third of water wells inspected and concluded that oil and gas drilling is the main source of contamination of the shallow aquifers in the Animas River Valley.

Western Colorado Congress president Jerry Swingle says the report shows that "the industry isn't anywhere near as competent in preventing that kind of contamination as they have led everyone -including regulators - to believe."

Based in part on the USGS report, lawyers representing hundreds of area residents filed a class-action

lawsuit Feb. 11 charging four oil companies - Amoco Production Company, Meridian Oil Inc., Southland Royalty Company, and Phillips Petroleum - with recklessness and deliberate disregard for the safety of local residents. The suit says the four oil companies ignored their tests, which showed that methane from their deep wells was polluting shallow aquifers, and asks for both actual and punitive damages. A victory could result in strict new controls on oil and gas drilling, well maintenance and groundwater monitoring.

"You're not looking at a bunch of hippies who live out in the wilderness or Earth First'ers who have come in to file this lawsuit," says Chris Shuey, a water resources specialist who acted as a technical consultant for the residents. "These are people who have lived there for generations and some of them work or have worked in industries associated with the oil and gas industry. I think they felt litigation was the last avenue available to them."

However, both the oil companies and the BLM, which regulates oil and gas drilling on public lands, say they think the methane migrates into upper aquifers naturally through cracks and fissures underground.

Selected Previous Studies

The presence, origins, and effects of natural gas in ground-water systems has been described and evaluated by several investigators. Water levels of water wells near Houston, Texas, increased during 1942-44 because of a leaking gas well (Rose and Alexander, 1945). Water-level rises of 4 to 61 ft were measured at distances of 1.5 to 11.7 mi from the gas well. Some water wells produced gas with water and, in extreme cases, the ground around casings was eroded by the forceful venting of gas (cratering). The authors concluded that serious damage could be caused to water wells in Houston if gas wells near the city became defective and gas entered water-bearing sands.

They say the USGS report is a product of bad science and bias. "We are somewhat disturbed," the BLM responded in written comments, "that several apparent contradictions are present and many conclusions are drawn based on what could arguably be characterized as inconclusive data."

"We are also concerned that, to a certain degree, the tone of the document seems to lack objectivity," said the agency's district manager, Sally Wisely, in a letter.

The USGS, which was hired in a 1989 compromise among the various parties to the dispute as a neutral investigator, stands by its research. "I find (the BLM's comments) really peculiar," says USGS district director David Lystrom. "We're both Department of Interior agencies. What axe are they grinding?" Lystrom says his agency stands by its report, and will issue a final document within a year.

Local residents and environmental groups say the BLM's reaction reflects a long-standing refusal to trust evidence linking rising numbers of methane-contaminated private wells with the gas boom.

Seepage of large quantities of natural gas over an unpopulated area of about 0.9 mi² in a gas-well field in northwestern Oklahoma was described by Preston (1980). Analyses of seepage and produced gases caused the author to suspect that a faulty gas well caused the seepage.

Residents have also battled with the U.S. Forest Service, most recently over the agency's decision to allow Amoco to drill 15 wells on environmentally sensitive lands in the HD Mountains on the eastern edge of La Plata County.

Last September, the Forest Service closed the drilling area to the public after Western Colorado Congress and the San Juan Citizens Alliance blockaded and shut down Amoco's drill rigs. After a second protest, which drew 80 people, the Forest Service charged eight people with criminal trespass.

A biogenic source for methane in near-surface (308 to 400 ft deep) ground water in bedrock in Weld County, Colorado, was concluded on the basis of carbon-isotope data (Rice and Threlkeld, 1982). Rice and others (1984) determined that thermogenic gas was seeping to the surface at LaSalle, Colorado, and believed that deep, abandoned water wells were the conduits for upward, near-surface migration but were not able to conclude whether the gas migrated from the producing formation at about the 7,000 ft depth because of natural phenomena or drilling activities.

In a January trial, two women, including a San Juan Alliance organizer, were found guilty and fined \$250. However, Judge Edward Schlatter said he was troubled by the verdict. Protesters had intended the rally to be peaceful and legal at all times and, he believed, did not know they were across the closure line.

"The Forest Service acted as a publicly financed security force for Amoco," says Western Colorado Congress' Swingle. "The decision to prosecute was motivated not by justice, but was intended as punishment, intimidation and a clear message to all citizens that dissidents will not be tolerated."

The comment by Western Colorado Congress²¹ representative Jerry Swingle about the U.S. Forest Service backing the petroleum industry is a critical insight into the corruption history of the Service. Ever since the President Eisenhower years in the early 1950s, the post-war years, the U.S. Forest Service took on a new face and became ever-more less the spokesman of conservation and the protector of drinking water sources and more and more the agent of big business out to clear cut federal public lands, a scandal-ridden history. One of the least understood and least academically researched topics in the U.S. on public forest land resource issues concerns how the Forest Service became instrumental in the demise of a few thousand of the Nation's protected drinking watershed sources.²² In this sense, the concurrent thematic intrigue with the Forest Service and the demise of drinking well water with the petroleum sector, particularly following the President Reagan Republican years in the 1980s and the erosion of federal environmental policies and regulations.

The effects of a leaking gas well in Ohio on ground-water chemistry were studied by Kelly and others (1985). They reported that elevated methane concentrations were accompanied by elevated concentrations of iron, manganese, calcium, sulfide, alkalinity, and pH and by decreased concentrations of dissolved oxygen, sulfate, and nitrate. These investigators report that homeowners complained about an intense sulfide odor, increased iron concentrations, and staining of commodes with a black precipitate.

Gas-composition data from a variety of sources in the Animas River valley between Bondad, Colorado, and a few miles south of Aztec, New Mexico, were reviewed by Shuey (1990). He concluded that about half of the samples from domestic water wells and seeps in fields and the river contained gas from the Fruitland Formation that had migrated up uncemented intervals of *conventional gas wells* after initial dewatering of *coal-bed gas wells* completed in the Fruitland Formation.

The litigation which ensued, based initially on the preliminary or draft report that was published by Chafin et al. in January 1993, evolved through four jurisdictional courts over a period of almost five years, until matters were eventually settled out of court for most of the lawsuit landowners: La Plata County District Court; the United States District Court for the District of Colorado; the

United States District Court in Albuquerque (New Mexico); the court for the sovereign Southern Ute Indian Tribe.

There were at least two fronts of citizen group concerns by as early as 1989 in the U.S. concerning tainted waters in the early development stages of fracking coalbed methane: in Alabama and in New Mexico/Colorado. And, as described in an article published in the New Mexican newspaper on July 23, 1990, rural residents were already the forerunners and precursors of what Josh Fox made famous in his 2010 documentary, *Gasland*, the frightening ability to ignite coalbed methane fracked tap water on fire!

Gases in ground water, from a surface seep, from *cathodic-protection wells*, and from *gas-well surface casings* in the Cedar Hill, New Mexico, area were studied by Beckstrom and Boyer (1991). They could not determine the specific sources of gases in ground water and determined that the surface-seep gas was *thermogenic gas* from an unspecified source. Beckstrom and Boyer (1991) determined that the gas in three surface casings migrated from the Fruitland Formation and moved up *annuli* of conventional gas wells that were not cemented across coals of the Fruitland Formation.

²¹ The Western Colorado Congress is an association of six community groups, which is affiliated with the Western Organization of Resource Councils (www.worc.org).

²² For a summary discussion, see Chapter 10, *The Bull Run Watershed Reserve and the United States Supreme Court*, in *From Wisdom to Tyranny: A History of British Columbia's Drinking Watershed Reserves*, by Will Koop, May 21, 2006.

Of the four petroleum companies named in the February 1993 lawsuit launched in La Plata County, **Amoco** was also operating in Canada, in the provinces of Saskatchewan and Alberta. Wikipedia reports that “by 1970, Amoco had become one of the largest integrated oil corporations in the world through acquisitions and internal growth,” that “its oil and gas activity was concentrated in the US southwest and in western Canada,” and that its Canadian operations were headquartered in Calgary, Alberta.²³ Was Amoco in some way involved in CAPP’s Lloydminster report studies in the mid-1990s? What were the political petroleum connections and concerns between the petroleum operations in New Mexico/Colorado and Alberta/Saskatchewan?

The La Plata area citizenry lawsuit case was becoming well-known within the petroleum sector, particularly by its legal firms. Shortly after the release of Chafin’s draft in early 1993, James A. Beckstrom with Amoco Production Company co-authored an article with David G. Boyer, *Aquifer-Protection Considerations of Coalbed Methane Development in the San Juan Basin*, which was published in the Society of Petroleum Engineers Journal. The ‘word’ about gas migration and groundwater contamination was quickly being broadcast to the petroleum world, particularly as the LEAF versus EPA litigation was about to take off in 1994.

Fractures were mapped between Bondad and a few miles south of Cedar Hill and fractures were correlated with water wells containing methane (Steven T. Finch, John W. Shomaker, Inc., written commun., 1992). The results indicated a weak, negative correlation between fracture density and the number of water wells containing methane and relatively strong, positive correlations between (1) the numbers of gas wells and water wells containing methane; and (2) the numbers of structural folds and water wells containing methane.

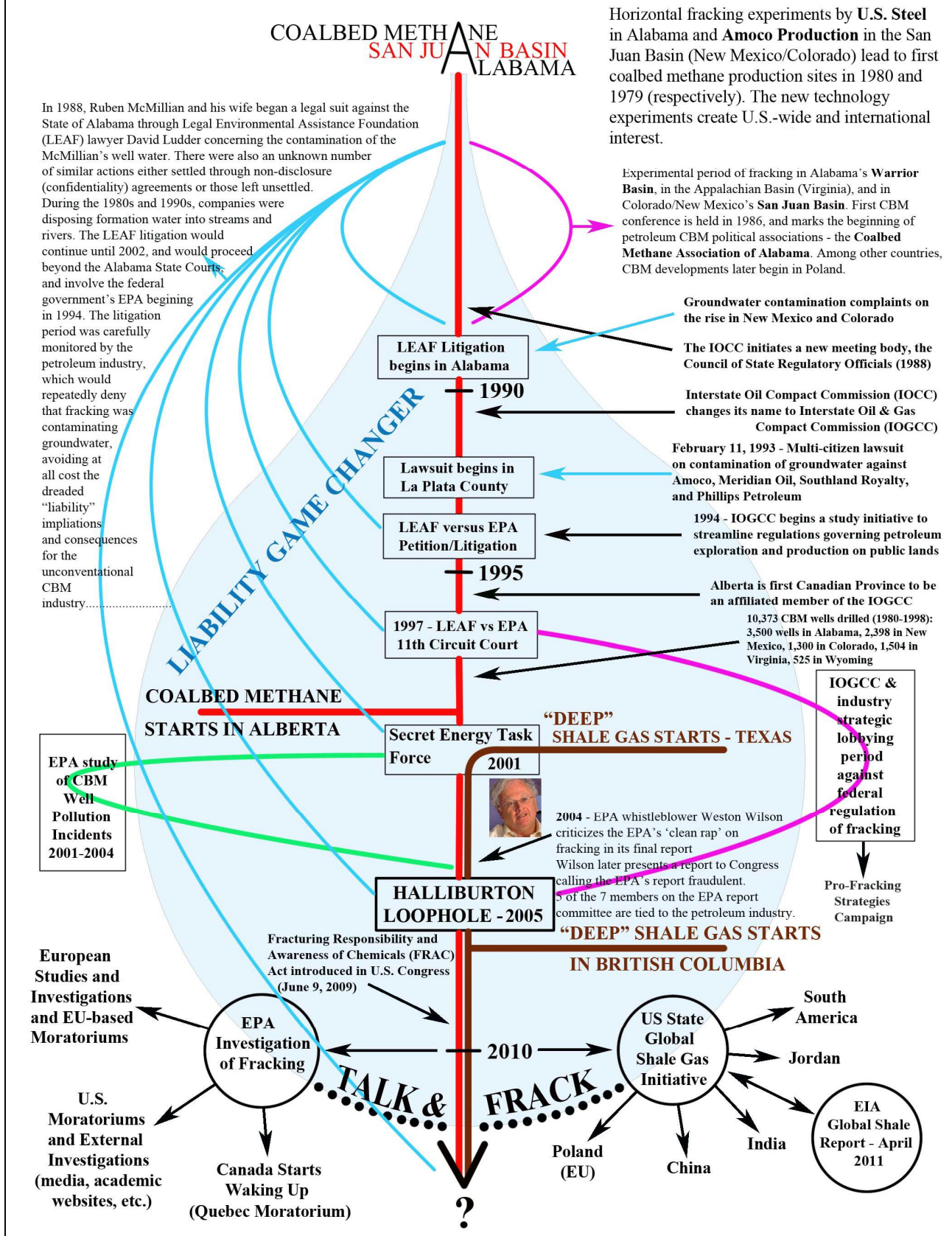
There was a period of boom in the San Juan Basin from 1950 to 1953 (Matheny and Ulrich, 1983). In 1950, additional gas-bearing zones were discovered in the Fruitland Formation, Mesaverde Group, and the Dakota Sandstone in Colorado. The completion of a natural-gas transmission line from the San Juan Basin to the west coast of the United States in 1951 greatly enhanced development, and substantial accumulations of gas were discovered in 1952, especially in the Mesaverde Group. Development and exploration continued at a more moderate pace during 1954-75 when most conventional gas wells were completed in the study area. The rate of development escalated during 1976-81 after the New Mexico Oil and Gas Commission authorized the drilling of a second well in the Mesaverde Group in each 320-acre producing unit in 1975 and the completion of additional wells in the Dakota Sandstone in 1980. The Colorado Oil and Gas Commission authorized the completion of additional wells in the Mesaverde Group and Pictured Cliffs Sandstone in 1979. These authorizations quickened the development rate, which was greatly enhanced by the 1976 issuance of a sharp price increase for interstate gas sales by the Federal Power Commission. Conventional completions decreased after 1981 because of the nationwide surplus of natural gas.

Intensive development of methane from coal beds of the Fruitland Formation began in the mid-1980’s in response to tax credits authorized by the Crude Oil Windfall Profits Tax Act of 1980. Originally scheduled to last through 1990, those credits were extended through 1992. Coals in the Fruitland Formation in the Cedar Hill area were the first to be studied and developed. The Gas Research Institute (1991, p. 6) estimated that, at the end of 1990, about 1,000 coal-bed-methane wells in the Fruitland Formation had a cumulative production of about 100 billion ft³ of gas, primarily in the north-central part of the basin.

Amoco was also the stage manager with a host of other parties in an ugly, complex and lengthy litigation battle that began in early 1992 against the Ute Indian Tribe which has Reservation lands within the San Juan coalbed methane basin, litigation which ended in 1999. The petroleum industry, along with the help of government, seemed to be a giant steamroller, out to flatten any obstacle in its path to obtain the grand methane prize.

²³ Wikipedia, *History of the Petroleum Industry in Canada (Natural Gas Liquids)*.

UNCONVENTIONAL FRACKING TIMELINE - U.S. HISTORY



Reported in the Washington Post on April 12, 1990, *Long Feared, Methane Now Valued; Technology, Tax Credits make use of Coal-Bed Gas as Fuel Feasible*, Amoco invested “\$90 million in a network of wells, pipes and compressors that covers thousands of rugged, deep pine areas in Jefferson County,” Alabama. According to biography information posted on the internet by a team of experienced geologists called *The Unconventionals*, two trained geologists, Ed Robbs and Jeff Roberts, were responsible for evaluating the “exploration potential for numerous U.S. basins for Amoco Production Company,” where Roberts credits himself as being “the first geologist to evaluate the unconventional potential of coalbed methane of the Black Warrior Basin for Amoco,” and being “an expert in the evaluation of fractured reservoirs, horizontal exploration prospects, basin tectonic analysis, and exploration economic analysis.”

An account in the March 2000 edition of AAPG’s Explorer magazine, *Coalbed Methane Comes of Age*, by way of an interview with Denver, Colorado consultant Keith Murray, states that while U.S. Steel pioneered exploration of coalbed methane on its private lands in Alabama in the late 1970s, Amoco Production also conducted concurrent pioneering experimental development of CBM in the San Juan Basin “in 1977-1978 at the Cedar Hill Field,” and that “that first field came on line in 1979.” In other words, Amoco was there at the very beginning with U.S. Steel experimenting with coalbed methane fracking. Amoco also entered into a contractual relationship with U.S. Steel on U.S. Steel’s Alabama lands. It was reported that the Amoco Production Co. had leased 40,000 acres of land from USX Corp. (U.S. Steel).²⁴

Amoco also made a number of other joint venture agreements in Alabama that included Energen Corp. and Taurus Exploration.

In Peggy Hocutt’s famous fracking letter to New Mexico Senator Jeff Bingaman, she identifies Amoco as the company that allegedly contaminated her, and her neighbour’s, Jefferson County well water, which resulted in her being hospitalized and her ill health ever since: *Our problems started when The State Oil & Gas Board, Tuscaloosa, Alabama, issued Permit #5946-C., to USX-Amoco Oil Production, in September, 1988.*²⁵

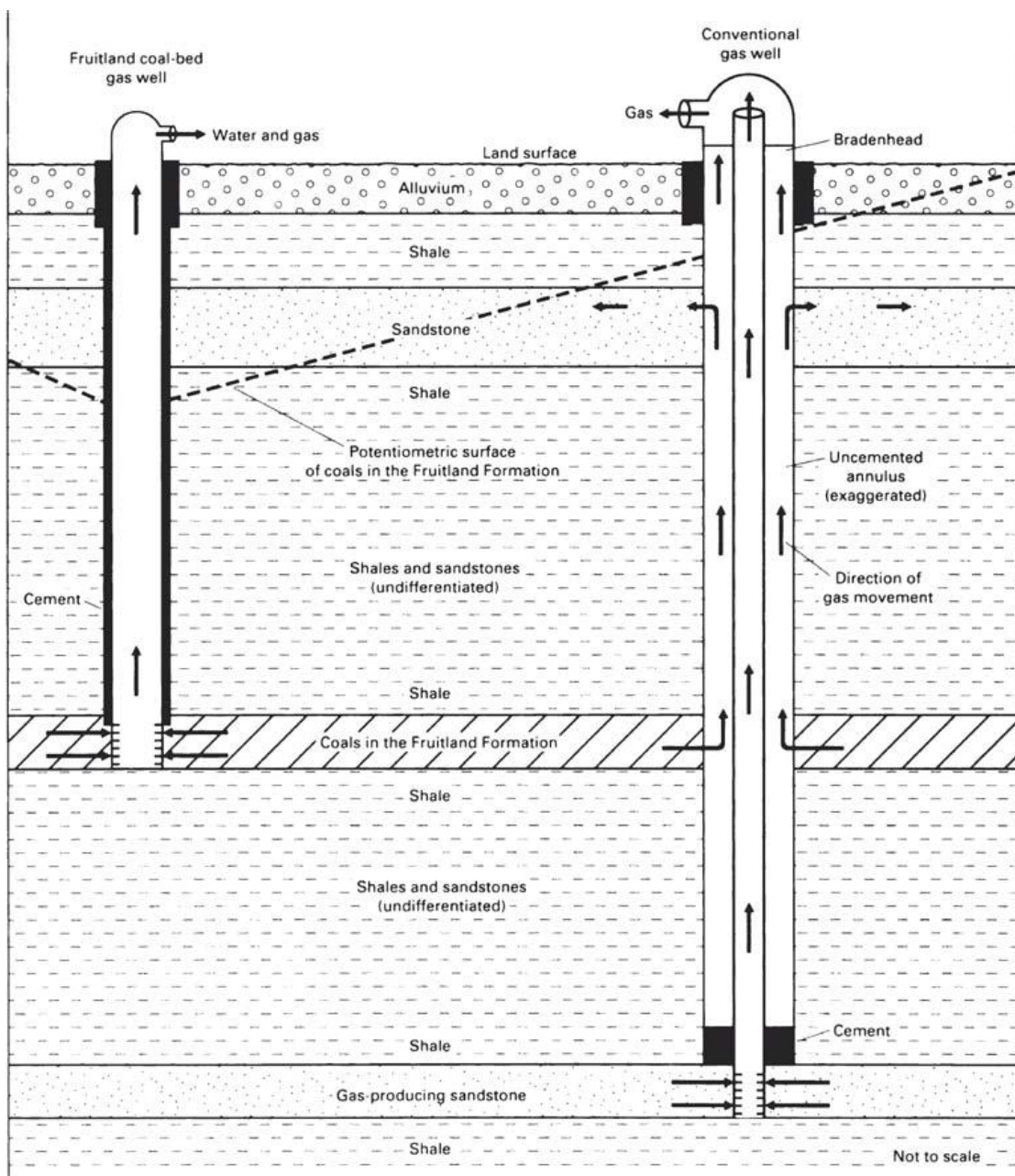
Relation to Age of Gas Wells

To determine whether soil-gas-methane concentrations have some relation to the age of gas wells, soil-gas measurements were divided into two groups on the basis of the completion year of the wells. Those gas wells completed during 1937-76 were compared to those completed during 1977-90 to divide the data into two nearly equal parts. Summary statistics for these two groups are listed in table 2, and side-by-side box-plots are shown in figure 10.

Gas wells completed during 1937-76 have a greater mean soil-gas-methane concentration (32 mg/L_g) than do gas wells completed during 1977-90 (25 mg/L_g). However, by not including the 1,200-mg/L_g concentration for the gas well at 33N-09W-31CCD from the 1937-76 group, the mean would be 26 mg/L_g. The 1977-90 group had a greater 75th-percentile value of 0.3 mg/L_g compared to 0.03 mg/L_g and had slightly greater percentages of concentrations equaling or exceeding 0.005 and 10 mg/L_g

²⁴ *County to be hotbed for methane drilling*, Tuscaloosa News, January 5, 1989.

²⁵ See chapter 9-(1), *Alabama’s Unconventional Legacy*, for Hocutt’s letter.



Chemical and geological evidence suggests that substantial quantities of natural gas are not migrating from deep gas-bearing formations along natural fractures into the shallow subsurface environment beneath the study area. Comparisons between soil-gas-methane concentrations measured adjacent to 352 gas-well casings and 192 ground-water sites used as background measurements indicate that gas-well annuli are more important than natural fractures for upward migration of gas.

Manmade migration pathways probably introduce most near-surface gas to the study area. Primary migration pathways consist of 1) leaking, conventional gas wells and 2) uncemented annuli of conventional gas wells along coals in the Fruitland Formation. Uncemented annuli along sandstones in the upper Fruitland Formation and Kirtland Shale introduce less gas than coals in the Fruitland Formation because these sandstones are not substantially charged with gas, except locally. Secondary migration pathways consist of gas-well annuli, cathodic-protection wells, seismic-test holes, and bedrock water wells. Of these, gas-well annuli are the predominant secondary migration pathway because leaks from gas-well casings and from uncemented, gas-yielding coals and sandstones occur within them and because of their great number and depth.

Fascinating diagram from Chafin's 1994 report. It illustrates the complex interrelationships of methane migration between nearby older conventional and new unconventional well bores.

Chafin found that subsurface gas migration was **not caused by mother nature**, but by human nature. It was not natural, **it was unnatural**, and, through recent coalbed methane drilling and fracking, unconventional.

Primary migration pathways consist of leaking, conventional gas wells, and uncemented annuli of conventional gas wells through coals in the Fruitland Formation. Numerous examples of leaking, conventional gas wells in the study area are documented by COGCC and NMOCD records. Most such leaks are caused by either corroded or mechanically ruptured production casings or defective wellhead seals, which permit gas to leak from production casings into surface casings. Both types of leaks release gas into the uncemented annuli of gas wells, which are exposed to bedrock sandstones (fig. 23).

The second primary migration pathway for thermogenic gas in the study area is uncemented annuli of conventional gas wells through coals in the Fruitland Formation. Uncemented sandstones in the upper Fruitland Formation and Kirtland Shale can cause similar gas leakage into gas-well annuli, but these uncemented sandstones are less important pathways because they are not substantially charged with gas except locally. Coals in the Fruitland Formation are dewatered by pumping to promote desorption of gas from the coal matrix (Fassett, 1989, p. 133-134). Pumping induces a drawdown of the potentiometric surface in the coal around the well in the Fruitland Formation. Eventually, this lowered surface reaches offset conventional gas wells, and those wells without cemented annuli through the coals in the Fruitland Formation provide conduits for upward flow of desorbed gas (fig. 24). Beckstrom and Boyer (1991, p. 376) concluded that this process caused the accumulation of gas in the bradenheads of three conventional gas wells in the Cedar Hill area in 1989.

Manmade Conduits

Discussions in the section "Analysis of Isotopic and Molecular Composition of Gases from Water, Soil, Gas-Well Casings and Cathodic-Protection Wells" suggest that most occurrences of near-surface natural gas are related to conditions associated with gas wells. Given the previously described factors that are unfavorable for diffusion and natural-fracture migration pathways from deep gas reservoirs to the near-surface environment, it is reasonable to conclude that man-made migration conduits introduce most near-surface gas to the study area. For purposes of discussion, man-made migration pathways can be divided into 1) primary pathways, which transport gas from source formations to the subsurface environment, and 2) secondary pathways, which transport gas from primary pathways to the near-surface ground water and soil.

Chemical and geological evidence suggests that substantial quantities of natural gas are not migrating from deep gas-bearing formations along natural fractures (joints and faults) into the shallow subsurface environment beneath the study area. Comparisons between soil-gas-methane concentrations measured adjacent to 352 gas-well casings and 192 ground-water sites (used as background measurements) indicate that gas-well annuli are more important than fractures for upward migration of gas. If natural fractures were the important conduits for upward migration, greater soil-gas-methane concentrations probably would be measured at some of the ground-water sites located on or near major fracture zones. The relatively systematic vertical and north-south variation in produced-gas maturities for formations beneath the study area argues against substantial vertical migration of gas and for effective trapping near source rocks.



Photo Credit: Yodit Gidey, Durango Herald.

2005 photo of the remains of a house after it exploded from underground methane. The photo was used in an undated powerpoint presentation by the San Juan Citizens Alliance, *Methane Migration from Seeps and Abandoned Wells*. The presentation cites a 1995 report, *Pine River Investigative Team Report*, summarizing: "explosive levels of methane have been found both inside and outside homes along the Fruitland Formation outcrop." The presentation cites concerns about: improper casing or cementing; damaged casing or cementing; orphan wells (many old wells lack proper casing or cementing); deterioration of casing or cementing over time.

14-(5). Post Chafin: The New Bradenhead Policies

Because of public complaints to government emanating from landowners and ranchers in New Mexico and Colorado in the 1980s, and shortly after Chafin et. al. began studying methane migration in the San Juan Basin around 1990, the U.S. Bureau of Land Management (BLM) “aggressively pursued bradenhead testing” beginning in 1991.²⁶

*The Colorado Oil and Gas Conservation Commission issued “Rule 10 of Order 112-85” also requiring annual bradenhead testing of all gas wells under State of Colorado Jurisdiction in the Ignacio-Blanco Field of Colorado. Since 1991, bradenhead testing has been an integral part of BLM and COGCC efforts to remediate gas wells which have exhibited excessive pressures indicating potential for ground water contamination and/or natural gas resource loss.*²⁷

The BLM is America’s big agency in charge of federal land planning and land use permitting. As stated in its 2007 report, “bradenhead testing has been instrumental in identification of defective gas well-bores.”²⁸ The legacy and rapid drilling into Mother Earth was creating administrative nightmares for government agencies responsible for watching over the petroleum industry, particularly as citizens in the San Juan fracking Basin area began investigating and calling for accountability. Beginning in 1994, BLM began publishing information reports on its San Juan bradenhead monitoring program.

Gas wells within designated “critical” groundwater areas (Areas constituting an approximate 1 mile buffer zone surrounding domestic wells where methane has been detected in higher concentrations than 1.0 mg/L in 1994 and 1995) are targeted by BLM for remediation when bradenhead pressures exceed five psig. In all other non-designated areas the bradenhead pressure action threshold is 25 psig. Wells with less than these threshold bradenhead pressures, but which exhibit sustained measurable flow throughout the 30-minute test period, and wells with bradenhead valves issuing a fluid flow are also subject to remediation.

*The bradenhead testing program is loosely associated with groundwater quality monitoring of La Plata County domestic water wells. As a result of BLM and COGCC testing of domestic water wells in the San Juan Basin of Colorado, 17 areas of critical concern have been identified. The Critical Areas show anomalously **high concentrations of methane** entrained in groundwater or are of critical concern because of proximity to the **HD Mountain Area** or the **Tiffany Enhanced Coal Bed Methane Recovery** area. The gas signature (relative amounts of gas constituents and carbon isotope ratios) of the methane gas can indicate whether the gas is of shallow biologic generation, alteration of existing soil gas, or a possible gas well leak. The HD Mountain and Bondad/Sunnyside areas were specifically targeted in 1996 for domestic water well testing to determine the effectiveness of gas well remediation. Locations of continuing concern were identified where measurable bradenhead pressures and entrained methane in groundwater persisted. In 1998 the BLM and the COGCC combined efforts to retest areas not addressed in 1996. Water wells tested*

²⁶ 2005 Bradenhead Testing and Comparison with Prior Data, Bureau of Land Management, San Juan Resource Area, May 2007.

²⁷ Ibid.

²⁸ Ibid.

in 1998 were selected particularly in the proximity of remediated gas wells. Water wells with elevated baseline concentrations of methane and having methane stable carbon isotope ratios greater than -55 per mil (thereby indicating possible thermogenic signatures and association with natural gas producing horizons) were targeted. Water wells with lower baseline methane concentrations, but in proximity to remediated gas wells, were also tested. The results of monitoring in calendar year 2000 indicated that methane contamination of water wells was decreasing, presumably in response to remedial actions of potentially defective well-bores. The findings continue to direct remediation efforts toward identifying potentially defective gas well-bores. Ongoing monitoring of groundwater is also being conducted.²⁹

Earlier BLM reports have presented the following results:

Bradenhead Testing and Groundwater Protection Program Overview and 1992

Results

This report discussed groundwater protection and the results of 1992 testing. In summary, 37 percent of jurisdictional gas wells tested showed bradenhead pressures exceeding 0 psig, and 10 percent had pressures greater than 25 psig.

Dissolved Methane Concentrations in Groundwater, La Plata and Archuleta Counties, Colorado

More than 200 domestic water wells within the Ignacio-Blanco Field were tested by the BLM during 1993. Relatively high concentrations of methane gas were discovered in 13 geographic areas of La Plata County. Within these 13 areas, gas wells with measurable bradenhead pressure received high priority as remediation candidates.

1993 Bradenhead Testing Program Overview and Test Results

Bradenhead test results for calendar year 1993 were presented. Gas production related potentials for shallow aquifer contamination were discussed. In summary, 29 percent of jurisdictional gas wells had pressures exceeding 0 psig, and 9 percent exhibited pressures greater than 25 psig.

Final Report - 1994 Groundwater Monitoring, San Juan Basin, La Plata County, Colorado Comprehensive Infill Testing

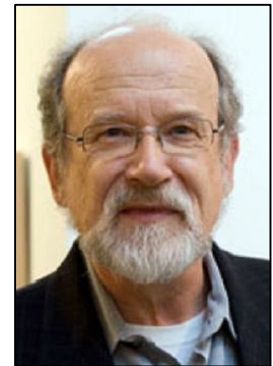
This cooperative report released by the BLM and the COGCC, produced water quality measurements from 383 domestic water well sites in La Plata County, supplementing the 1993 BLM water study of 200 wells. A groundwater quality baseline was established. Redefining and expanding the 13 areas depicted in the 1993 study, a total of 17 areas with relatively high concentrations of entrained methane-in-water were delineated by diminishing methane concentrations and apparent isotopic transitional zones. Data regarding wells coincident with those tested in the 1994 BLM/COGCC testing was incorporated from the 1990 USGS study of water wells in the Animas River Valley, and from data listed in the Ignacio-Blanco Groundwater Task Force study of 1991. The 17 areas were further defined by carbon isotopic analyses that suggested biogenic or thermogenic origins of the entrained methane.³⁰

²⁹ Ibid.

³⁰ Ibid.

14-(6). Maestro Muehlenbachs Measures the Mix of Man-Made Migrant Molecules Making Much Mischief

Asked if Alberta's oil patch regulator or B.C.'s Oil and Gas Commission had approached one of the world's leading experts on how to fingerprint leaking gases from gas formations, Muehlenbachs replied quickly. "No," said Muehlenbachs. "No one pays any attention to me. The Alberta regulators are only interested in optimizing production."



On the University of Alberta's website, under the Department of Earth & Atmospheric Science, it states that professor "Dr. Karlis Muehlenbachs specializes in using stable isotope variation in many aspects of geochemistry, e.g. history of seawater, isotopic paleoclimate proxies, oxygen diffusion in minerals, contamination of groundwater by natural gas, and in-situ steam-assisted heavy oil extraction." There is also a long list of 373 publications he has authored, co-authored, and participated in, publication dates ranging over a span of forty years, from 1971 to 2011.

On November 14, 2011, Muehlenbachs appeared as a speaker at a Resources for the Future's (RFF's) conference event in Washington, D.C., *Managing the Risks of Shale Gas: Identifying a Pathway Toward Responsible Development*. The U.S. conservative think tank event was part of RFF's *Center for Energy Economics and Policy's* recently formed 2011 initiative on the "responsible development" of shale gas. The event, which was audio and video broadcast, was perhaps the first time that one of Muehlenbachs' usual in-house presentations was broadcast, and his summary professional findings and views on the petroleum industry's operations made digitally public. That resulted in great public interest in what the professor said and the visuals he presented, particularly in Quebec.

In Muehlenbachs' presentation, *Identifying the Sources of Fugitive Methane Associated with Shale Gas Development*, he said that he had conducted research on Jessica Ernst's property area in Rosebud Alberta. (See Appendix F, for an account of Muehlenbach's research in 2006.) "Is the source that you see burning in the water tap, was it industry induced or was it natural background? What I want to do in this particular presentation is to show you from stable isotope and scientific analyses that you can actually differentiate these gases and identify what their source is."

Near the beginning of his presentation, he introduced a comment by **Mike Dawson**, the **president of the Canadian Society of Unconventional Resources**, published in the Calgary Herald newspaper: "If a well bore is properly cased with steel and cemented, the risk of any interaction between drinking water and fracturing fluid is 'significantly diminished.'" The challenging question Muehlenbachs raised in response to Dawson's comment, in lieu of a recent and revealing industry report on this very subject, was "how often is the job done right, how often are these wells completed correctly? And, what happens when they are not completed correctly, if the cementation is not done right, if the finishing is not done right?"

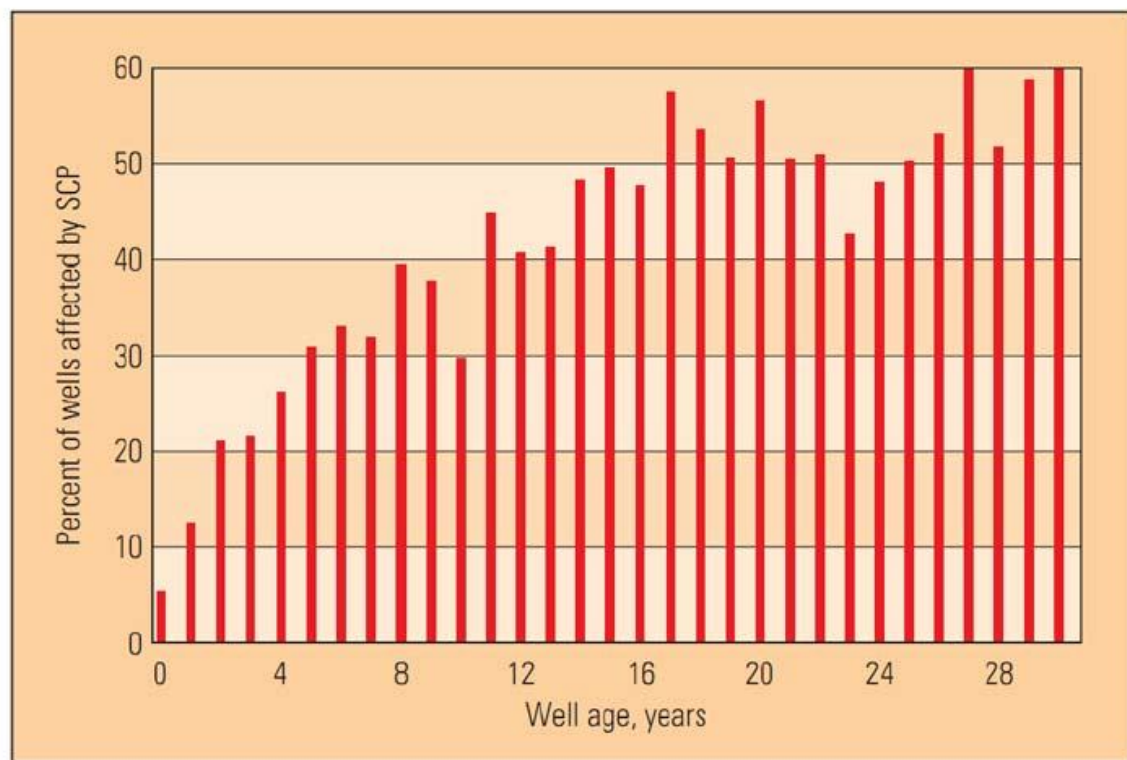
Remember, if you are doing fracking, especially this multiple fracking, is that once you cement it, once you set everything in place, you are putting these big pressure pulses through the pipes. And, the question is, does that actually help or hinder the retention of the gas?

The leaks that you see around a petroleum well or gas well don't necessarily come from the target area where you are trying to produce, the leaks could come from anywhere along the production stream.

My experience in thousands of wells in Alberta, which is true for probably everywhere else in the world, is at least 70 percent of the gases that you catch at surface came not from the production zone, but somewhere along the well bore because of poor cementing that we talked about.

Problems and poor cementing are common and lead to gas migration and sustained casing pressure

From Schlumberger, Oilfield review



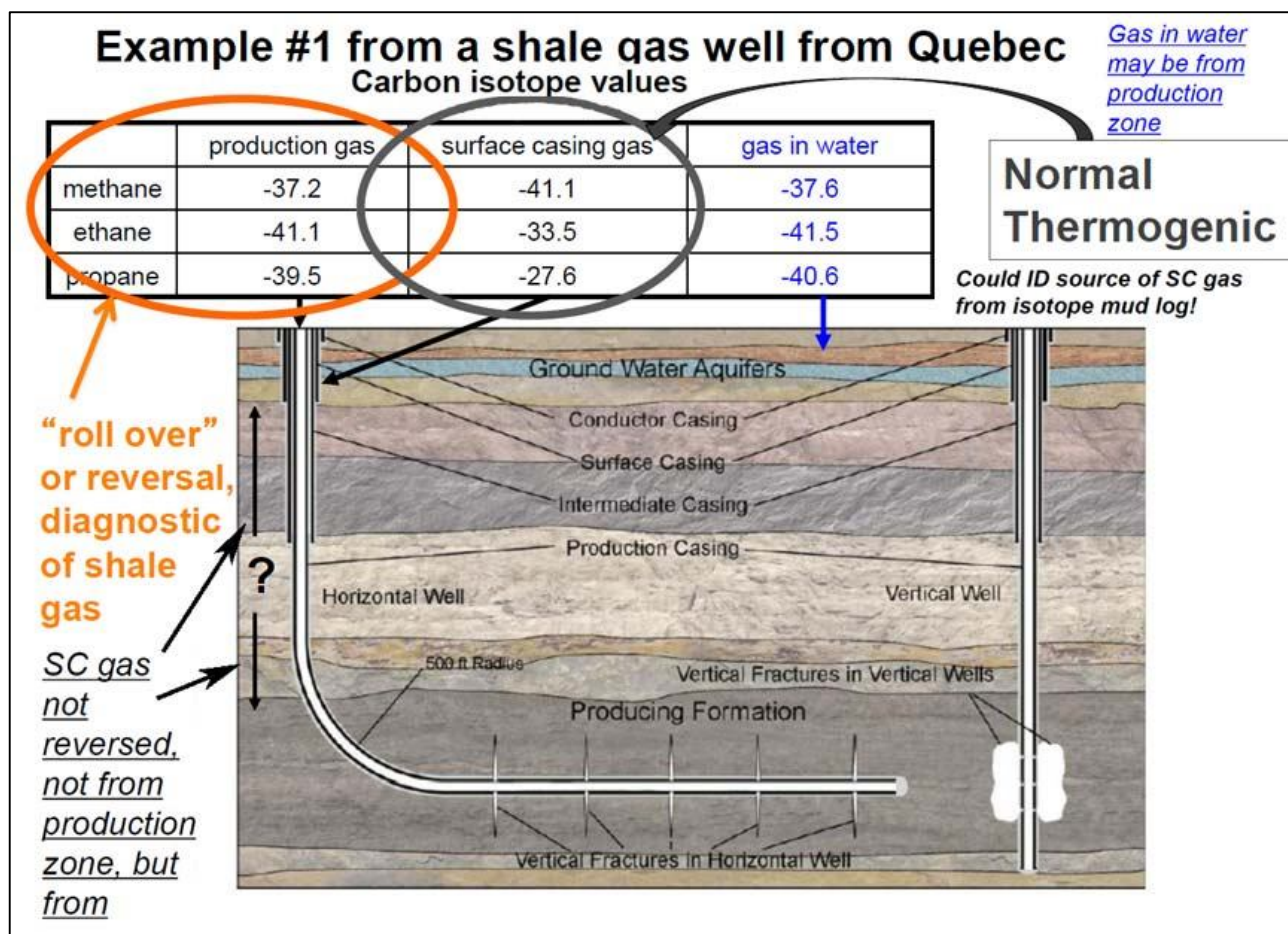
How often do you have this problem? This is Schlumberger's federal treatment of U.S. information, which asks the question, what fraction, or what percent of the wells on the offshore Gulf Coast have these cementing problems? We see that it is a function of age. So, by the time that a well is 16 or 20 years old, about 60 percent of all the wells have developed problems with their cementing or their sealing. In Alberta, which is on land, all the oil wells, gas wells, in Alberta are on land, and all the statistics are more or less similar.

Dr. Muehlenbachs introduced findings from recent data analyzed at his lab sent to him from two shale gas wells sampled from the Utica shales in the southwest region of the province of Quebec. About a year previous in early January 2011, it was reported in the Quebec and national media that "Quebec's Ministry of Natural Resources has found leaks in more than half the shale gas wells it

inspected, according to a report compiled for the province's environmental protection agency.”³¹ The disturbing information from the December 7, 2010 report, that 19 of 31 newly drilled shale gas wells were leaking, came three months before a final Quebec government report on fracking in late February, 2011, and caused a public uproar.

*The wells that were found to have leaks belong to Talisman Energy, Gasem, Canbriam, Questerre and Canadian Forest Oil and date back to 2006. Alberta-based Talisman Energy owns 11 of the wells cited in ministry's report, but spokesperson Hope Deveau-Henderson said leaks are a common occurrence.... (said Andre Belisle, president of the Quebec Association Against Atmospheric Pollution) the only solution is a moratorium.*³²

Later in January 2011, due to the issues of the shale gas leakages from the government report, Quebec's Environment Minister Pierre Arcand raised a few of his comrades' eyebrows when he openly questioned the government's pro-fracking shale gas development plans at a January 21st Liberal caucus meeting held at Lac-Beauport, north of Quebec City.



Following the internet release of Dr. Muehlenbachs' presentation in Washington on November 14, 2011 where he presented his findings on two Quebec shale gas wells, Quebec's La Press newspaper interviewed Muehlenbachs and reported his comments on December 24, 2011, that "the gas in water is very similar to production gas. You have Utica shale gas in water. I don't know how it got

³¹ CBC news, *Leaks found in shale gas wells: Que. report*, January 5, 2011.

³² Ibid.

there, but it is.”³³ The reporter asked if the professor would reveal the name of the petroleum company that sent him the samples, but he refused to divulge the information. La Presse reported in early January 2012, that Talisman Energy gave him the samples. As he stated in his November 14th presentation, Muehlenbachs rephrased the documented frequency of well bore leakages found in the recent Schlumberger report study of 15,000 wells in the Gulf of Mexico where half of the wells, over 7,000 in number, were already leaking after only 15 years of age in the offshore underground.

“There is an obvious correlation with age, he says. “The leaks increase as the wells get older.” And, he thinks that shale gas wells will be worse, because of the extreme pressures that have to go through during the hydraulic fracturing stages. “If you add fracking at high pressures, it is disastrous,” he says. “Steel tubing is flexible. Cement around it is hard. So it cracks.”

Meuhlenbachs’ isotopic analyses were reviewed by Quebec’s Environment Ministry. In the La Presse article, the Ministry’s hydrogeologist, Charles Lamontagne, said that his Ministry was nevertheless confident in its own findings, whereby it never found any data linking gas migration to groundwater contamination.



In keeping with Lamontagne’s stubborn position, Environment Minister Arcand was quoted five days later in another article published by La Presse on December 29, 2011, criticizing Dr. Muehlenbachs by inferring that his scientific techniques and analysis were essentially experimental and therefore unreliable: “Minister Arcand thinks that the analysis technique used by Mr. Meuhlenbachs, while it is promising, is still only at the scientific development stage and still has to be validated by the scientific community.”³⁴

In the same article (rough English translation):

Mr Muehlenbachs says the isotopic tests he made let us know the exact origin of gas by measuring the concentration of carbon-13 in the molecules. He says either the gas found a pathway in a natural fault after the fracking of the well, or the gas came up the tubing because of a defective cementing, or it was naturally there already.

This last hypothesis cannot be put aside because of the lack of baseline information on the chemical signatures of the gas in Quebec groundwater.

But Mr Muehlenbachs favors the human factor rather than the natural one. “From a geological point of view, the shale was sealed 300 million years ago.” he says. “And then man intervened.”

³³ De l’eau souterraine contaminée par le gaz de schiste, 24 décembre 2011.

³⁴ Eau contaminée: le ministre Arcand prend la situation “très au sérieux”, La Presse, 29 décembre 2011. The following is the actual quote in French: Mais le ministre Arcand considère que la technique d’analyse employée par M. Muehlenbachs, bien que “prometteuse,” en est “seulement à l’étape du développement scientifique” et doit encore être “validée par la communauté scientifique.”

At the end of Muehlenbachs' presentation on November 14th, during the question and answer period, someone commented on concerns raised by Muehlenbachs on having government regulators require industry to conduct "pre isotopic fingerprints." The commenter said, the "Water Control Board in Pennsylvania or West Virginia wouldn't require that at the moment, and you're making the recommendation for regulatory changes." "Yes," Muehlenbachs replied. "I definitely recommend that. They should require that. In the Province of Alberta it is a requirement around coalbed methane wells, shallow wells. There is no reason why you shouldn't have it on deeper wells.... Well sometimes ... I mean, if you want to be a cynic, you say they don't want to do it because they don't want to see the answer."

Over a month after the RFF conference event, Alberta author and journalist Andrew Nikiforuk published an article on Dr. Muehlenbachs in *The Tyee* on December 19, 2011, *Fracking Contamination 'Will Get Worse': Alberta Expert*. Nikiforuk's article was quickly absorbed and discussed by the world's internet readers, hungry for new information on the world's biggest topic, fracking. Especially relevant in the United States, where, as he writes in the article, the EPA is conducting a highly publicized review on Encana Corporation's contamination of groundwater in Pavillion, Wyoming, the federal agency which is soon scheduled to release a report on its two year public review of fracking. Here are some excerpts from Nikiforuk's piece:

"The shale gas boom combined with hydraulic fracking will cause wellbores to leak more often than run-of-the-mill conventional wells," says Karlis Muehlenbachs, a geochemist at the University of Alberta. "The problem is going to get worse, not better."

Muehlenbachs, a leading authority on identifying the unique carbon fingerprint or isotopes of shale and conventional gases, says regulators must do better baseline groundwater testing and rigorously check wells for leakage. (Industry calls these leaks surface casing vent flow or sustained casing pressure.)

"The biggest problem is that half or more the wells drilled leak due to improper cement jobs or industry is not following best practices," adds Muehlenbachs.

Earlier this month the U.S. Environmental Protection Agency found that EnCana, the continent's second largest shale gas producer, had contaminated groundwater in Pavillion, Wyoming.

Those findings, which contradict industry assurances, didn't surprise Muehlenbachs, who has studied leaking wells in Alberta's heavy oil fields for decades.

Although petroleum engineers now admit that companies routinely blast fluids and gas into other industry wells hundreds of metres away (B.C., Texas and North Dakota have all documented such cases), they still claim that "fracture communication incidents" can't happen with groundwater.

Muehlenbachs, who has documented numerous cases of groundwater contamination, calls such denials dishonest. "Such claims do more harm than good to industry. Don't they realize that social license matters to industry?"

Whenever methane leaks from one well into a neighboring wellsite, "industry says let's fix the leaks," says Muehlenbachs. "But as soon as the leaks enter groundwater, everyone

abandons the same logic and technology and says it can't happen and the denials come out. In Alberta, it's almost a religious belief that gas leaks can't contaminate groundwater."

Yet it happens routinely. At a conference in Washington D.C. last month sponsored by Resources for the Future, Muehlenbachs showed evidence that shale gas drilling activity in Quebec and Pennsylvania had in several cases resulted in surface contamination.

In two cases (companies sent him gas samples to analyze), he found that deep shale methane from the Utica Shale definitely leaked up the wellbore and contaminated groundwater. In another case, gas originating along the wellbore had moved into water.

A similar example in Pennsylvania's Marcellus shale formation again found that deep shale methane rich in propane and ethane had leaked to the surface casing, contrary to all industry predictions. The Marcellus lies 2,300 to 6,000 feet deep, which is a little shallower than B.C.'s Montney play at 6,000 to 8,200 feet.

As a highly respected and well-published scientist, Muehlenbach's timely forthright take on the petroleum industry's contradictory and illogical statements that groundwater contamination is not linked to unnatural petroleum developments, delivers refreshing credence to the consistent and rising tide of public testimonies and criticisms levelled against the petroleum industry over the last 35 or more years.

In William Marsden's 2008 book, *Stupid to the Last Drop: How Alberta is Bringing Environmental Armageddon to Canada (And Doesn't Seem to Care)*, it describes how Muehlenbachs was a research scientist in the Canadian Association of Petroleum Producers' 1994-1995 Lloydminster studies:

If you fly over eastern Alberta in the area of Lloydminster, you'll see hundreds of pear-shaped bare spots about five metres in diameter scattered throughout the wheat and canola fields. Scientists refer to them as "plumes." They are barren earth. Nothing grows there. This is because the gas wells in the area leak methane.

By the time Alberta began drilling for CBM, there was plenty of evidence in the government's own archives that methane gas from producing and dormant wells could migrate into aquifers and to the surface. In 1995, the Saskatchewan Research Council and the Alberta government studied methane gas leakage and migration from plugged oil and gas wells around Lloydminster. One of the researchers was Dr. Karlis Muehlenbachs, a geochemist in earth and atmospheric sciences at the University of Alberta. He found that a "large number" of well sites were leaking methane into groundwater aquifers and also up through the soil, killing vegetation around the wellhead (methane deprives roots of oxygen). Tests revealed that methane levels were up to fourteen milligrams per litre. Muehlenbachs is categorical: "There is no question that methane migrates into aquifers."

When companies abandon a non-producing well, they are required by law to plug it with mud and cement. This is supposed to stop harmful gases from migrating upwards and contaminating shallow aquifers and surface vegetation. But geologists admit that the cement plugs are seldom perfect. Gaps form between the casings and the borehole walls and sometimes channel into the cement itself. This is particularly critical in older wells where surface casings were designed to anchor drilling equipment in the event of a blowout rather

than to protect groundwater. Over time, as the ground moves and borehole casings age and corrode, the gaps can become more pronounced. Studies done in Alberta and Saskatchewan show that about 57 percent of old wells leak methane and other gases into aquifers and the atmosphere. Nobody knows how much methane leaks each year from these oil and gas wells.... estimates indicate that the amounts are substantial. The U.S. Environmental Protection Agency claims that methane leakage from oil and gas wells and pipelines makes up more than one quarter of the total methane emissions to the atmosphere.... Methane is twenty-three times more powerful than carbon dioxide as a greenhouse gas. With more than 60,000 CBM wells planned in Alberta, the problem could be enormous.”

*“I see all kinds of very poor bond logs [acoustic readings that can show gaps in cement casings],” one veteran Alberta geologist, who didn’t want his name used for fear he would lose business, says. **“I have never seen a bond log that shows me absolute cement top to bottom.”***

Some companies don’t even bother to plug non-producing wells, he says. Fixing leaks and plugging wells can cost hundreds of thousands of dollars per well. If a company doesn’t officially abandon the well, they are not required to plug it. “Lots of wells are put on standby because its easier and cheaper than if they try to abandon it,” Muehlenbachs says. “And that is a really serious issue. They are usually leaking. And the only reason that they don’t legally abandon them is because there is obviously something wrong with them. So the ones there’s nothing wrong with they will legally abandon. So selectively you are left with the ones that have the problems. And the big problem is that a lot of them have this gas migration. Gas leaks to the surface and into the aquifers and soils and stuff.”³⁵

A short review of the 1995 Lloydminster studies was recently published in the April 2010 issue of the New Technology Magazine, an article written by Maurice Smith, *Final Chapter - Application of modern technologies tames stubborn icon of Alberta’s oilpatch*. Smith describes how by the early 1990s the provinces of Alberta and Saskatchewan had “serious environmental problems” from “almost half of the several thousands of heavy oil wells drilled in the Lloydminster area,” which were “releasing between 0.01 and 200 cubic metres of gas per day,” and were “presenting a contamination risk to shallow drinking water aquifers, in addition to the threat of destruction of arable soils around wellheads and an increased contribution to atmospheric methane contributions.”

Of considerable intrigue, Smith writes that the **Amoco Canada Petroleum Company** “got the ball rolling in the 1990s” regarding the initiation of the Lloydminster studies. Intriguing, because, as described in chapter 14-(4) of this report above, Amoco was deeply embroiled in groundwater contamination allegations in New Mexico, Colorado and Alabama from its unconventional fracking operations. Here is the clear connection to Amoco’s operations in Canada, whereby the multinational company’s looming concerns about liabilities in the United States were being legally extended at the same time into its Canadian domains, creating, thereby, international intrigue.

Smith interviewed Muehlenbachs about the Lloydminster history, where he said it was Amoco’s geologist Earl Jensen (who recently died) who initially contacted Muehlenbachs about conducting the project: “Jensen approached me to get involved with the science of it. ... We worked mostly with Husky and Amoco, collecting samples of production gases and samples of surface casing vent flows

³⁵ Chapter 13: *The Last Cowboys and Cowgirls (Alien Invasion)*.

Report says drilling problems ignored

Methane in water is result, paper says

The Associated Press

DENVER — State and federal regulators failed to halt natural gas drilling in the Four Corners area even though they knew the drilling could lead to methane gas seeping into drinking water, the Rocky Mountain News reported.

The News said in a copyright story that regulators from the Colorado Oil and Gas Conservation Commission and the Bureau of Land Management knew since 1989 that rapid expansion of drilling activity could cause problems, but approved hundreds of permits for new wells anyway.

The News said an Amoco Production Co. scientist published a study two years ago describing how methane could migrate from gas wells into water wells. He was later transferred to Siberia.

The drilling continued despite scores of complaints by citizens that they could sometimes light their tap water on fire, and it was not until last week that Colorado regulators publicly acknowledged the possible link and called for a drilling moratorium if the problem proves widespread.

"Did anyone ever look at the big picture? No," said Tom Pike, a section chief in the drinking water division of the regional Environmental Protection Agency

office. "No big environmental impact study was ever done."

Amoco officials say there is no proven link between drilling and methane contamination. They say residents have noticed naturally occurring methane bubbling to the surface for over a century.

At stake is an estimated \$25 billion worth of natural gas that lies beneath rural Four Corners communities near Durango and Farmington, N.M. Pipelines carry most of the gas to Los Angeles.

Industry experts estimate that 50 trillion cubic feet of methane lies beneath the 9,000-square-mile San Juan Basin, which stretches from southern Colorado into New Mexico and across the Ute Mountain Ute reservation to Arizona and Utah.

Oil companies rushed into the area after Amoco discovered a cost-effective way to release methane from the water-laden Fruitland coal layer 3,000 feet underground. As drilling increased, residents began to videotape themselves setting fire to water from faucets, hoses and showers and complained the water tasted bad.

"We went year after to Denver, but they just thought we were complaining," said Pati Temple, an area resident who wrote a letter to former state gas commission director William Smith in 1989. He told her not to worry, the News said.

But the News said behind the scenes, Smith and others were acknowledging problems.

Activists, Amoco Poised to do Battle over Drilling - Oil Firm wants to put in 15 additional wells in mountains near Bayfield

Both sides are poised to go forward in their dispute over gas-well drilling on forest lands in the mountains east of Bayfield.

Amoco Production Co. is preparing field workers at its Durango Operations Center for drilling approval from company headquarters in Denver, Houston and Chicago, said spokesman Jack Rigg. (Rocky Mountain News, September 12, 1992)

Gas-Well Protest

About 30 protesters on Tuesday commandeered a bulldozer and halted Amoco Production Co's gas-well construction project in the San Juan National Forest. Amoco workers had begun building five coalbed methane wells at the site Monday after an appeal by conservationists stalled. The protesters - members of the San Juan Citizens Alliance and Earth First! - said they wanted to halt the construction until their appeal of the Forest Service's approval of the project is (Rocky Mountain News, September 16, 1992)

Amoco Starts Drilling

Amoco Production Company has begun a \$2 million drilling program near Durango after fending off repeated attempts by environmentalists to block the project.

But the company still faces hearings in U.S. District Court and the Department of Interior, where environmental groups are seeking to shut down the project on the grounds it may endanger area water supplies. (Rocky Mountain News, September 29, 1992)

Note: With the reference to Siberia in the article above, Amoco Production Company did have operations in Siberia in 1993, through its subsidiary Amoco Eurasia Petroleum Co.

Methane Levels 17 Times Higher in Water Wells Near Hydrofracking Sites

May 09, 2011

DURHAM, N.C. – A study by Duke University researchers has found high levels of leaked methane in well water collected near shale-gas drilling and hydrofracking sites. The scientists collected and analyzed water samples from 68 private groundwater wells across five counties in northeastern Pennsylvania and New York.

They found no evidence of contamination from chemical-laden fracking fluids, which are injected into gas wells to help break up shale deposits, or from “produced water,” wastewater that is extracted back out of the wells after the shale has been fractured.

The study appears this week in the online Early Edition of the *Proceedings of the National Academy of Sciences*. It is the first peer-reviewed study to measure well-water contamination from shale-gas drilling and hydrofracking.

“At least some of the homeowners who claim that their wells were contaminated by shale-gas extraction appear to be right,” says Robert B. Jackson, Nicholas Professor of Global Environmental Change and director of Duke’s Center on Global Change.

“We found measurable amounts of methane in 85 percent of the samples, but levels were 17 times higher on average in wells located within a kilometer of active hydrofracking sites,” says Stephen Osborn, postdoctoral research associate at Duke’s Nicholas School of the Environment. The contamination was observed primarily in Bradford and Susquehanna counties in Pennsylvania.

Water wells farther from the gas wells contained lower levels of methane and had a different isotopic fingerprint.

“Methane is CH₄. By using carbon and hydrogen isotope tracers we can distinguish between thermogenic methane, which is formed at high temperatures deep underground and is captured in gas wells during hydrofracking, and biogenic methane, which is produced at shallower depths and lower temperatures,” says Avner Vengosh, professor of geochemistry and water quality. Biogenic methane is not associated with hydrofracking.

“Methane in water wells within a kilometer had an isotopic composition similar to thermogenic methane,” Vengosh says. “Outside this active zone, it was mostly a mixture of the two.”

The researchers also compared the dissolved gas chemistry of water samples to the gas chemistry profiles of shale-gas wells in the region, using data released publicly by the Pennsylvania Department of Environmental Protection. “Deep gas has a distinctive chemical signature in its isotopes,” Jackson says. “When we compared the dissolved gas chemistry in well water to methane from local gas wells, the signatures matched.”

Methane is flammable and poses a risk of explosion. In very high concentrations, it can cause asphyxiation. Little research has been conducted on the health effects of drinking methane-contaminated water. Methane isn’t regulated as a contaminant in public water systems under the EPA’s National Primary Drinking Water Regulations.

Hydraulic fracturing, also called hydrofracking or fracking, involves pumping water, sand and chemicals deep underground into horizontal gas wells at high pressure to crack open hydrocarbon-rich shale and extract natural gas. Shale gas comprises about 15 percent of natural gas produced in the United States today. The Energy Information Administration estimates it will make up almost half of the nation’s production by 2035.

The Duke team collected samples from counties overlying the Marcellus shale formation. Accelerated gas drilling and hydrofracking in the region in recent years has fueled concerns about well-water contamination by methane, produced water and fracking fluids, which contain a proprietary mix of chemicals that companies often don’t disclose.

“Based on analysis of the 68 wells, we found no evidence of contamination from chemicals contained in fracking fluids and produced water,” Osborn says. Additional tests would expand the size of the sample, he says, and help further allay any unfounded concerns.

All funding for the study came from the Nicholas School and Center on Global Change. Nathaniel R. Warner, a PhD student of Vengosh’s, co-authored the study.

Independent of the PNAS study, Jackson and colleagues at the Center on Global Change, Nicholas School and Nicholas Institute for Environmental Policy Solutions have issued a white paper on hydrofracking at www.nicholas.duke.edu/cgc. It includes recommendations for monitoring and addressing potential environmental and human health risks

mostly, and we noticed that there is a consistent difference between the surface casing vent and the production stream:"

"I think the biggest breakthrough we had was that we demonstrated that most of the leaks come from some shallower horizon," says Muehlenbachs. "We could show there is a very clear profile with depth in the isotope ratios of the methane, ethane [and] propane, and we could match very well the surface casing vent flow with the template from the mud logs and identify where most of the leaks in the Lloyd area are actually coming from.

"Before we did this, the working knowledge was, 'We will just dump more cement down there and sooner or later it will stop leaking,' but if they were trying to cement off the production side, well, no matter how much they put in, it would still have a surface casing vent flow problem. Now we know we can't just assume that the gas is leaking from the target zone."

Isotopic analysis, performed using the mass spectrometer at the UofA's stable isotope laboratory, found that while the bacterial methane originating in the various Mannville Group sands did not display unique isotopic signatures, the gases from each of the overlying Upper Cretaceous Colorado Group shale units were isotopically distinct. Researchers were surprised to find that the deeper Mannville Group gases were extensively biodegraded, while the immature incipient thermal gases of the Colorado Group shales remained unaltered.

The isotopic signatures represent the different genetic histories of the Colorado and Mannville Group deposits, says Muehlenbachs. "The origin of the gas doesn't have to match the age of the rock; it has to match the history of the rock."

The large number of leaks is to some degree a function of the local geology. Some of the shales don't hold cement well, and in some cases the geological formations might be more prone to cause corrosion.

"In Lloydminster there are tens of thousands of wells and about half of the wells have gas migration problems," Muehlenbachs says. "Most of the leaks would be from 300 or 400 metres, whereas the oil production is from about 600 metres.... Legally, sooner or later, every single well has to be abandoned to a very high standard."

In Muehlenbachs' myriad investigations and findings of applied scientific isotopic fingerprinting he was involved in from the early 1970s to 1994 at the University of Alberta, the Lloydminster studies marked the first occasion that he, with the aid of research students, used the procedure in investigating the gaseous properties of hydrocarbons.³⁶

Because of the forensic nature of Muehlenbachs' expertise in isotopic fingerprinting of hydrocarbons, it is hardly surprising that his evolving mastery of this subject was called upon by a recently formed international committee organizing the International Network of Environmental Forensics (INEF) Conferences. The INEF, formed in 2008, "is a non-profit interest group with the

³⁶ Personal Communication.

Royal Society of Chemistry (RSC).”³⁷ The INEF convened its first conference in 2009 in Calgary, Alberta. The second conference, held in Cambridge University’s St. John’s College in July 2011, included the following topical subjects:

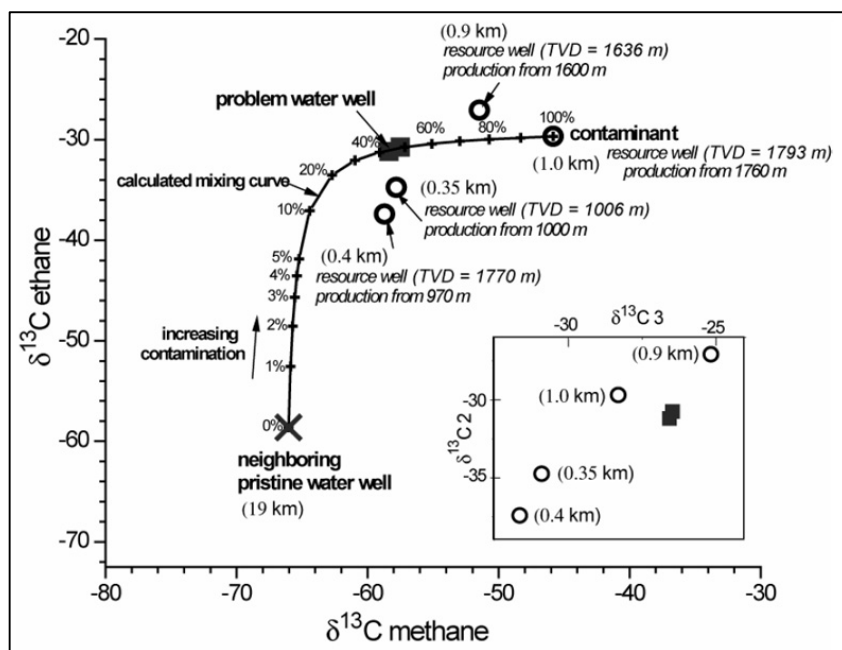
- Fingerprinting techniques to identify the source and age of a contaminant release
- Environmental litigation and law impacting forensic investigations
- Presenting complex environmental data in court – strategies to get the information across
- Forensic field investigations and surveys in terrestrial and marine environments
- Uses of remote sensing and aerial photography in forensic investigations
- Advanced forensic analytical techniques
- Quality assurance and quality control of analytical data
- International environmental forensic reference materials, standards, and new directives
- Application of microbiological techniques to identify the origin of a contaminant release
- Petroleum hydrocarbon fingerprinting and source identification in a marine environment
- Lessons from the Gulf of Mexico Deepwater Horizon release
- Age dating techniques for oil, chlorinated solvents, dioxin/furans, radioactive materials and metals
- Contaminant transport modelling
- Visualization of forensic evidence
- Forensic statistics (PCA, PVA, etc.)
- Groundwater contamination, characterization and modelling
- Implementation of forensic investigative techniques
- Methodology for the rigorous analysis of forensic evidence
- Application of stable isotopes in forensic investigations

As described by R.D. Morrison and J.R. Hone’s paper, *Introduction to Environmental Forensics*:

Environmental forensics is the systematic and scientific evaluation of physical, chemical, and historical information for the purpose of developing defensible scientific and legal conclusions regarding the source or age of a contaminant released into the environment. As such, there is a multitude of forensic techniques available for contaminant age dating and source identification including, but not limited to aerial photo interpretation/photogrammetry, chemicals associated with discrete chemical processes, identification of the manufacturer of a particular product, chemical additives and/or impurities, chemical profiling, degradation modeling, corrosion models, contaminant transport modeling, surrogate chemical analysis, chronological changes in chemical processes resulting in diagnostic markers, compound specific isotopic analysis, polychlorinated biphenyl (PCB) congener analysis and degradation product ratio analysis.

On the morning of July 26th, Meuhlenbachs’ 30-minute presentation was called, *Fingerprinting of Gas Contaminated Groundwater and Soil in Petroloferous Regions, Alberta, Canada*. One of the other two panel members in the *Petroleum Hydrocarbons* workshop session, was Pennsylvania State University Frank Dorman’s presentation, *Environmental Forensic Investigation of Composition of Hydraulic Fracturing Fluids Used in Gas-Well Drilling in the US*.

³⁷ *Announcement and Call for Abstracts, INEF Cambridge Conference 2011, A conference for the Environmental Forensic Community, St. John’s College, Cambridge, United Kingdom, July 25-27, 2011.*



In Barbara Tilley and Muehlenbachs 2008 report, *Recognizing Natural Gas Contamination of Water Wells in a Petroliferous Region*, they state the following:

Sixty years of petroleum development has resulted in over 500,000 petroleum wells drilled in the Western Canada Sedimentary Basin, many in agricultural areas that rely on groundwater. The impact on groundwater quality by petroleum development is increasingly becoming a societal concern triggered by

Figure 1. Gas contamination in a water well. Graph compares the carbon isotopic compositions of gas from one farm water well (black squares) sampled twice, 6 months apart, that contains in addition to methane and ethane also propane, butanes and pentanes. Data from four resource wells located a kilometer or less from the problem water well (actual distances in brackets), and a gas from a presumed pristine water well 19 km away, are also shown. The calculated mixing curve shows how the isotope ratios of gas change on mixing two gases with differing isotope ratios as well as differing proportions of methane and ethane (after Jenden et al., 1993). The methane and ethane isotope data can be explained if gas in the problem water well is an almost one to one mixture of shallow gas found in the pristine neighboring water well (99.5% methane; 0.5% ethane) and gas from 1,760 m as in the resource well 1.0 km away from the problem well (78% methane and 13% ethane). The insert plots the isotopic compositions of propane versus ethane of the problem water well and the four resource gases. The propane in the water well is too high, relative to gas from the 1.0 km well, implying a deep contaminant source not identical to the one modelled.

intensive, recent CBM development. Carbon isotope values of gases vary within the basin (Tilley and Muehlenbachs, 2007) and can be used forensically to quantify natural gas contamination of groundwater.

As of May 2006, Alberta requires baseline testing of domestic water wells prior to CBM development. Surprisingly, many presumed pristine water wells contain effervescing methane ($\delta^{13}\text{C} = -85$ to -50 per mil) with traces of ethane ($\delta^{13}\text{C} = -70$ to -30 per mil), indicating that some of the water wells have already been contaminated. One farm water well (Figure 1) contained propane, butane and pentane in addition to methane and ethane. Figure 1 compares the isotopic compositions of gases from this problem water well, a neighboring pristine water well, and four nearby, recent, resource wells. The isotope ratios of the ethane in the resource wells and the problem well are similar, in sharp contrast to the neighboring water well, indicating contamination of the water well by deep gas.

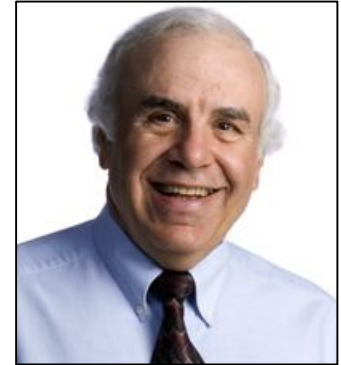
Attributing specific contaminant sources to a given resource well has proven to be even more difficult in areas where there is ongoing CBM development. Landowners have

filed complaints about gas contamination of their water wells. However, in one area, the problem gas seems to be attributable to previous conventional petroleum development rather than the current CBM drilling and production. Carbon isotope analyses of water wells in another area suggest a few per cent of CBM contamination in water wells. Unfortunately, lack of pre-drilling background water data prevents reliable quantification of the contamination.

14-(7). Dr. Anthony Ingraffea's Eastern Canada Invitational

I am a university professor, but I'm certain Conoly-Schuller and her colleagues decidedly won't like my simple message for them: "Tell the whole truth." ³⁸

"It can't be safe, there will always be problems and you can't get around it," he told the audience, which filled the entire main floor of the theatre. ³⁹



With the recent public concerns and growing opposition to proposed fracking developments in Canada's eastern Atlantic provinces of New Brunswick and Nova Scotia, community organizations and NGOs sponsored consecutive speaking tour engagements and conferences held from November 30 to December 10, 2011 featuring two prominent and outspoken North American fracking critics: Alberta's Jessica Ernst and New York State Cornell University professor Anthony Ingraffea. The events, which were videotaped and posted on the internet, were also reported by print, television, and internet media. ⁴⁰

Through his wealth of academic experience and training with the technical aspects of engineering, technology and science of fracking, Ingraffea has crafted a translation and exposure of those complexities into simple, educational, meaningful and truthful ways. And, as the public has recently come to bear witness, there are literally only a handful like him inside the industry (including retired professionals) that have had the courage and tenacity to tell the truth.

On Cornell University's website, Dight C. Baum Professor of Engineering Anthony R. Ingraffea's biography states: he has taught structural mechanics, finite element methods, and fracture mechanics at Cornell since 1977. ⁴¹

³⁸ *Does the natural gas industry need a new messenger?* CBC News, November 29, 2011.

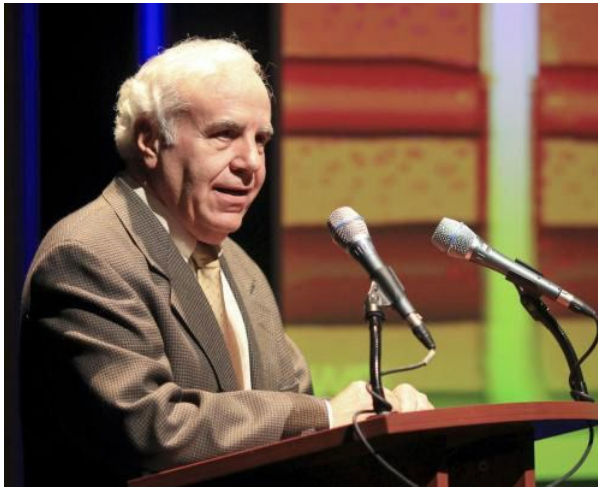
³⁹ *Expert warns of risks of fracking*, December 1, 2011, Times & Transcript.

⁴⁰ For about the last two years, Ingraffea previously only made numerous public presentations in a variety of public forums on the subject of fracking in the United States, and held a few video conferences internationally. A number of the U.S. presentations are available for viewing on the internet, primarily on YouTube.

⁴¹ The website biography continues with the following: "Dr. Ingraffea's research concentrates on computer simulation and physical testing of complex fracturing processes. He and his students performed pioneering research in the use of interactive computer graphics in computational mechanics. He has authored with his students over 200 papers in these areas. He has been a principal investigator on over \$35M in R&D projects from the NSF, NASA Langley, Nichols Research, NASA Glenn, AFOSR, FAA, Kodak, U. S. Army Engineer Waterways Experiment Station, U.S. Dept. of Transportation, IBM, Schlumberger, Digital Equipment Corporation, the Gas Research Institute, Sandia National Laboratories, the Association of Iron and Steel Engineers, General Dynamics, Boeing, Caterpillar Tractor, and Northrop Grumman Aerospace.

Professor Ingraffea was a member of the first group of Presidential Young Investigators named by the National Science Foundation in 1984. For his research achievements he has won the International Association for Computer Methods and Advances in Geomechanics "1994 Significant Paper Award" for one of five most significant papers in the category of

Ingraffea's opener in the land of Canada was on the evening on November 30th, 2011 in Moncton, New Brunswick's Capital Theatre. He began by introducing his famous assessment of exposing the petroleum industry's 'four fracking myths,' and advised the audience: "Be careful of the(ir) words. Every word has a technical meaning, but it also has a political meaning."



- **Myth 1** - Fracking for gas developments is a 60-year old well-proven technology (No - the technology is still evolving and new brute force fracking is different);
- **Myth 2** - Fluid Migration from faulty wells is a rare phenomenon (No - it is a well-known, chronic problem);

- **Myth 3** - The use of multi-well pads and cluster drilling reduces surface impacts (No - they facilitate and prolong intense industrialization and leaves a larger, long-term footprint);
- **Myth 4** - Natural gas is a *clean fossil fuel* (No - over its life-cycle, unconventional natural gas is likely no cleaner than coal or petroleum, and conventional gas is comparable to those other fossil fuels).



Computational/Analytical Applications in the past 20 years, and he has twice won the National Research Council/U.S. National Committee for Rock Mechanics Award for Research in Rock Mechanics (1978, 1991). His group won a NASA Group Achievement Award in 1996, and a NASA Aviation Safety Turning Goals into Reality Award in 1999 for its work on the aging aircraft problem. He became a Fellow of the American Society of Civil Engineers in 1991. Professor Ingraffea has received numerous awards for his outstanding teaching at Cornell. He received the first Society of Women Engineer's Professor of the Year Award in 1997, the 2001 Daniel Luzar '29 Excellence in Teaching Award from the College of Engineering, and, in 2005, was named Weiss Presidential Teaching Fellow at Cornell University. He has been a leader in the use of workstations and information technology in engineering education, with grants from the NSF, U.S. Department of Education, Digital Equipment Corporation, Sun Microsystems, and Hewlett-Packard in these areas. He organized and was the first Director of the NSF-supported, \$15M Synthesis National Engineering Education Coalition, a team of eight diverse engineering colleges. Synthesis developed, implemented, and assessed innovative programs and technologies to improve the quality of undergraduate engineering education and to attract and graduate larger numbers of women and under-represented minority engineers. He is Cornell Co-PI on a NASA/NYS/AT&T sponsored project to develop an Advanced Interactive Discovery Environment for collaborative distance design in engineering education, teaming with faculty from aerospace, mechanics, and civil engineering from Cornell and Syracuse universities. He was named Co-Editor-in-Chief of Engineering Fracture Mechanics in 2005, received the ASTM Irwin Award for meritorious contributions to the practice of fracture mechanics in 2006, and was named a Fellow of the International Congress on Fracture in 2009.

While exposing some of the features behind Myth 2 over a period of about 25 minutes, Ingraffea included a number of images in his power point presentation to help educate the audience on the technical and structural problems concerning the cementing of well bores, the problems of iron casings that are fitted, connected together, and pushed far into the earth under stress, and the impacts that brute force fracking (intense pressures forced through the well bore from powerful diesel engines) has on these made-made intrusions and on the deep environments underground. The audience eagerly devoured his information.

Prof. Ingraffea: Nie ma łupków bez ryzyka

Rozmawiała Monika Libicka 28 maja 2011 18:45, ostatnia aktualizacja 09 sierpnia 2011 13:30



Wieża przygotowana do odwiertu gazu łupkowego. Fot. PAP

Zobacz także

Wiceprezes Gazpromu: Gaz łupkowy w UE niebezpieczny a nasze kontrakty bezpieczne
Ambasada USA: Polska ma największe zasoby gazu łupkowego w Europie. Starczą na 300 lat!

Opinie i komentarze

Ostudźmy łupkową gorączkę
Tomasz Deptuła
Przeżyła mnie euforia z jaką w Polsce podchodzi się do tematu wydobywania gazu łupkowego.

Newsweek Poland - May 28, 2011

Polska na wydobyciu gazu łupkowego może skorzystać, ale ryzyko dla środowiska i zdrowia też musi być brane pod uwagę – mówi prof. Anthony Ingraffea z Cornell University.

Temat polskiego gazu łupkowego, w którego wydobycie chcą się zaangażować liczne amerykańskie firmy, był jednym z najważniejszych w rozmowach z Barackiem Obamą. Ekologiczni przeciwnicy gazu łupkowego rozpętali na świecie kampanię dyskredytującą amerykańskie technologie. Postanowiliśmy sprawdzić, na ile realne są zagrożenia, na które zwracają uwagę, bo ile możemy na łupkach zyskać, wiadomo – setki miliardów i niezależność energetyczną.

NEWSWEEK: Polskie złoża szacuje się na kilka bilionów metrów sześciennych gazu łupkowego wartych nawet 500 mld dolarów. Są tacy, którzy mówią, że dla naszego środowiska naturalnego to zła wiadomość.

ANTHONY INGRAFFEA: Mogą mieć rację, jeśli nie przygotujecie właściwie procedur związanych z wydobyciem gazu oraz koniecznością usuwania toksycznych odpadów produkcyjnych.

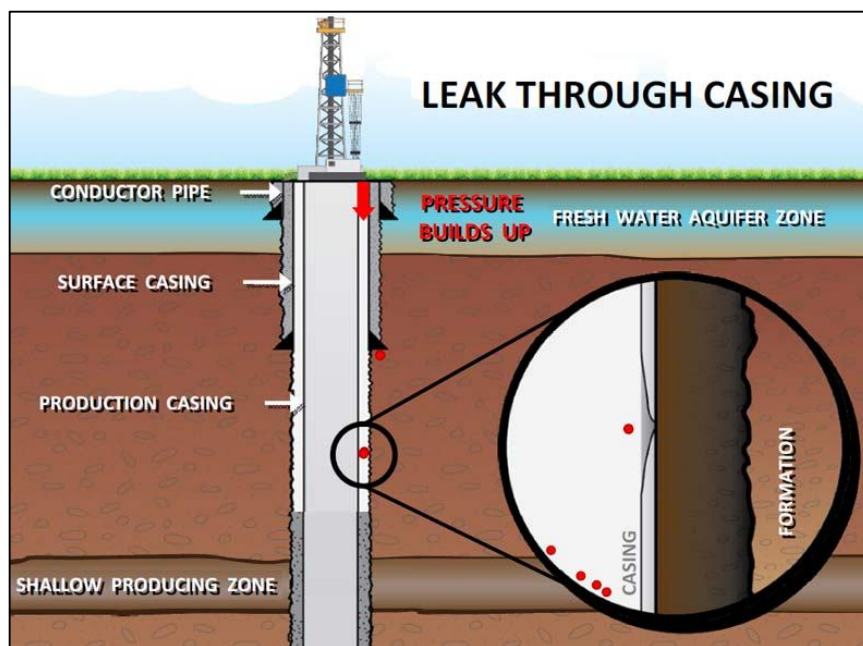
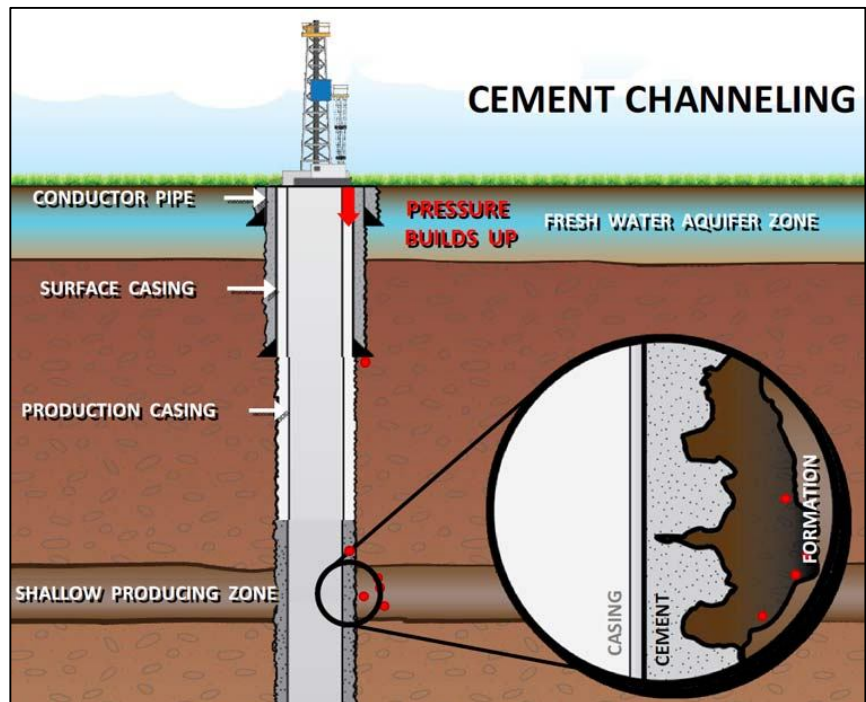
He began by showing a video of a well bore head, and the excavated or cavity area created around it, shaped much like a deep snow hollow around a tree in winter. In this cavity is where rain or ground water seep is captured, and is where one can often detect the gas bubbles that may leak from and up along the long length of the well bore cement/casing.

“Loss of well bore integrity occurs when the hydrocarbons come up outside the well. That’s what you are looking at here. That’s gas. Mostly methane in this case. It’s bubbling up outside the well.... That’s the potential for two problems. Because the gas has now been liberated from three or four thousand feet down, and it’s coming up outside the well, what does it have to go through to get to the surface? An aquifer. And when it gets to the surface, if it’s not captured, where does it go? Into the atmosphere. That’s not good either.”



Ingraffea proceeded to explain the problems related to cementing and fracking the well bore, the essentials in well bore mechanical integrity. He said that a well bore “typically goes through other intermediate shales that also have gas pressure ... here’s some gas, and it’s trapped. It can’t get out and go up this open annulus because the cement is sealing it. **IF** the cement seals it! I’m going to show a couple of pictures of just some of the things that can go wrong.”

“During that period of time the cement is liquid (when it is pumped down the well), it has to be, otherwise it is not going to flow.... while it’s a liquid, if it’s in contact with gas that is sufficiently of high pressure, you are now forcing the gas of high pressure into a liquid cement, and you get what is called channelling. The gas can actually move the cement out of the way - because it is still a liquid - and channel up and into an open annulus, if there is one (depending upon how far up the cement as been set). That’s one thing that can go wrong. And that’s a problem.”



“Another thing that can go wrong is with the casing. How long does the casing have to be there? Forever. Not until the well runs dry. It has to be there forever, otherwise your well becomes a conduit for whatever is down there. So you want the casing to last a really long time. And, the casing is steel. Steel corrodes, especially with what’s coming up the well is full of salt water.... This is not one continuous steel pipe. It is jointed together. Every joint is a weakness. Joints can fail. So,

if you have a failure of the casing in a region where you have an open annulus and no cement, gas can get out and can get into an underground source of drinking water.”

“*Insufficient cement coverage.* There are incidents which are documented, they are in the open literature, where somebody made a mistake on the cement chemistry. And they pumped the cement down the well. It came back up. They wanted it to come up to here, but it locked up, that is, it solidified before it got back up to the level they wanted it to. Which now means that these gas molecules (the red dots) can get into this open annulus, go up to the surface, and if they are contained, that pressure builds up, and gas can go into an underground source of drinking water.” That’s 3 of about 10 different things that can go wrong.”

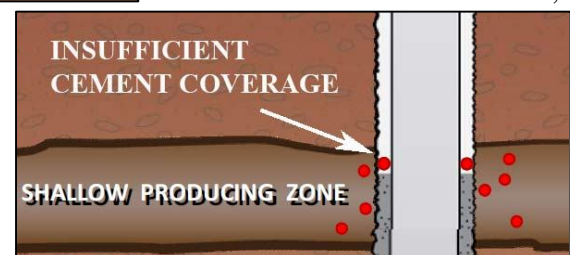




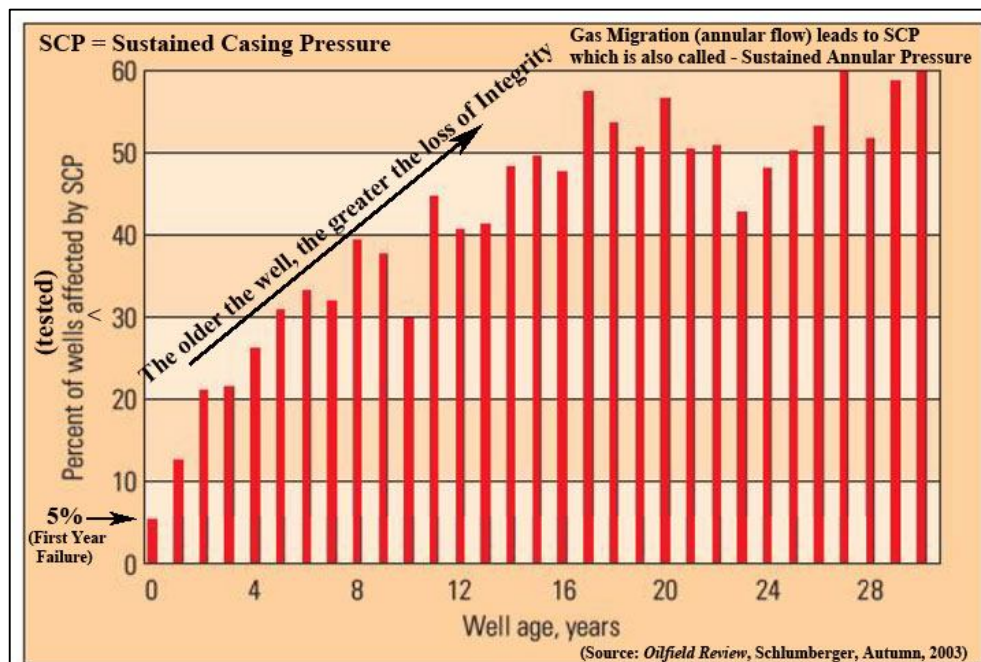
Figure 4: Incomplete displacement of drilling mud and resulting cement and drilling fluid channels. Over time, the gels in the drilling fluid well shrink, forming a gas flow path in the annulus.³

Petroleum Society's 5th Canadian International Petroleum Conference
From Watson, **PAPER 2004-297**

"And the industry knows them. There have been dozens of papers written on these problems over the years."

"Here's an example. An actual physical example of one of those problems: channelling. This is a cross section. Here is an inner layer of casing. Here is an outer layer of casing. Here is the cement that is between them. How good of a bond is it? This is a case where channelling occurred. So, gas coming from below can clearly make it's way up through that loss of bond. These are all industry reports, industry images, industry data. I'm not making it up."

Ingraffea then presented the same Schlumberger data that Dr. Muehlenbachs presented concerning the leaking wells in the Gulf of Mexico.



▲ Wells with SCP by age. Statistics from the United States Mineral Management Service (MMS) show the percentage of wells with SCP for wells in the outer continental shelf (OCS) area of the Gulf of Mexico, grouped by age of the wells. These data do not include wells in state waters or land locations.

"Let's look at industry data. So how often do these things happen, of all these five, six, seven, eight, nine, ten things that can cause a well to go bad - to allow hydrocarbons and other things to come up *outside* the well and potentially impact underground sources of drinking water, or the atmosphere - how *rare* is that?"

"Industry data, Schlumberger. The

horizontal axis is the age of a well. Vertical axis is the “percent of wells tested affected by Sustained Casing Pressure.” Sustained Casing Pressure means “annular pressure in one or more of the casing annuli.” In other words, the well has failed. Gas is coming up outside the well in one or more of the annuli that were supposed to be properly cemented. So, this is data from thousands of wells.”

Wells at Risk

Since the earliest gas wells, uncontrolled migration of hydrocarbons to the surface has challenged the oil and gas industry. Gas migration, also called annular flow, can lead to sustained casing pressure (SCP), sometimes called sustained annular pressure (SAP).

In the Gulf of Mexico, there are approximately 15,500 producing, shut-in and temporarily abandoned wells in the outer continental shelf (OCS) area.⁴ United States Minerals Management Service (MMS) data show that 6692 of these wells, or 43%, have reported SCP on at least one casing annulus. In this group of wells with SCP, pressure is present in 10,153 of all casing annuli: 47.1% of the annuli are in production strings, 26.2% are in surface casing, 16.3% are in intermediate strings, and 10.4% are in conductor pipe.

The presence of SCP appears to be related to well age; older wells are generally more likely to experience SCP. By the time a well is 15 years old, there is a 50% probability that it will have measurable SCP in one or more of its casing annuli. However, SCP may be present in wells of any age.

4. United States Minerals Management Service statistics: <http://www.gomr.mms.gov> (accessed August 21, 2003).

Excerpts from Schlumberger’s Autumn 2003 publication, *Oilfield Review*.

Identifying Causes of Gas Migration

Annular gas may originate from a pay zone or from noncommercial, gas-bearing formations. Some of the most hazardous gas flows have originated from unrecognized gas behind conductor, surface or intermediate casing. Typically, gas flow that occurs immediately after cementing or before the cement is set is referred to as annular gas flow, or annular gas migration.

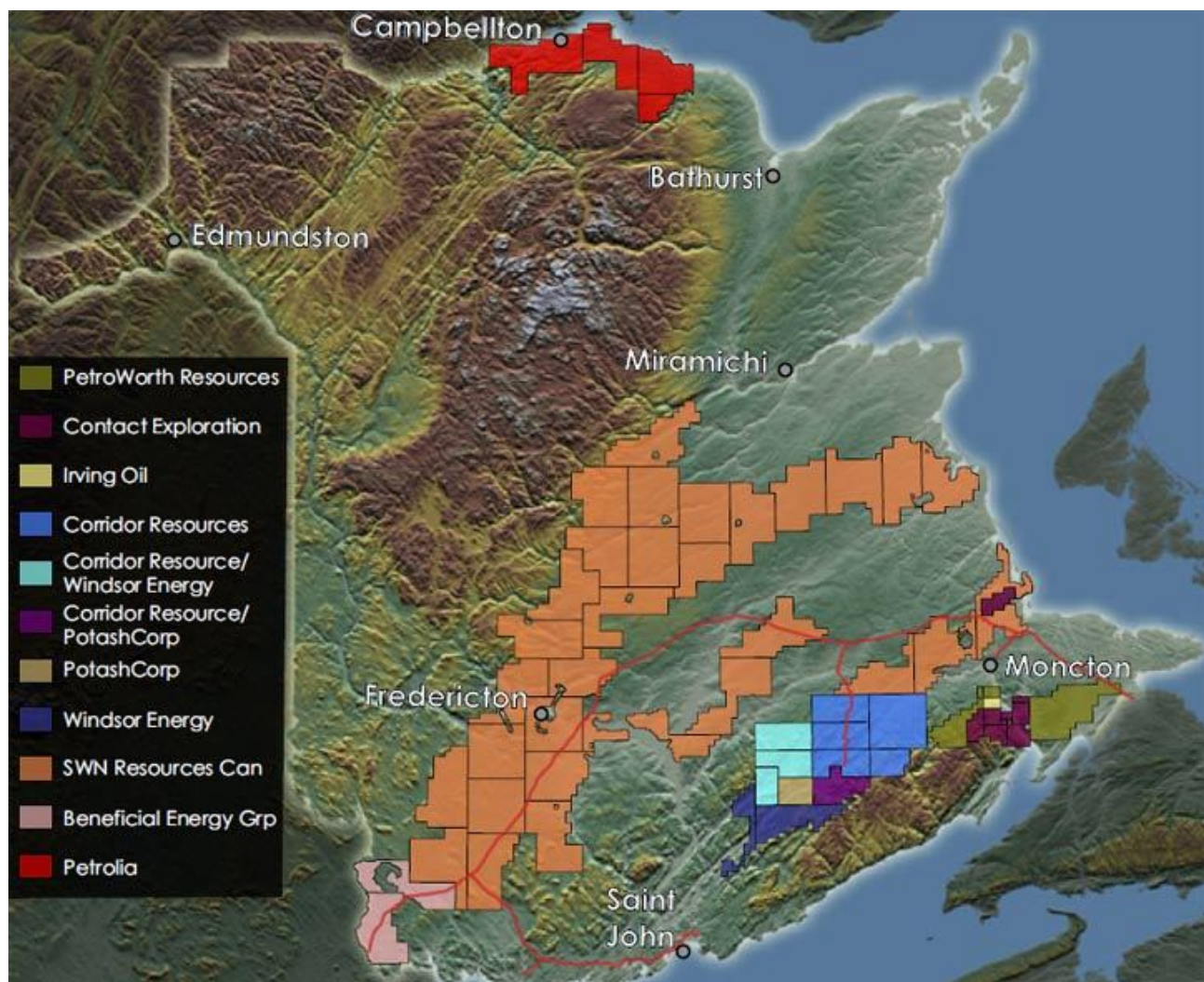
Tubing and casing leaks—Production tubing failures may present the most serious SCP problem.⁸ Leaks can result from poor thread connection, corrosion, thermal-stress cracking or mechanical rupture of the inner string, or from a packer leak. Production casing is typically designed to handle tubing leaks, but if the pressure from a leak causes a failure of the production casing, the outcome can be catastrophic. With pressurization of the outer casing strings, leaks to surface or underground blowouts may jeopardize personnel safety, production-platform facilities and the environment.

Poor mud displacement—Inadequate removal of mud or spacer fluids prior to cement placement may result in failure to achieve zonal isolation. There are several reasons for mud-removal failure, including, but not limited to, poor borehole conditions, improper displacement mechanics and failures in displacement process or execution. Inadequate removal of

Improper cement-slurry design—Flow occurring before cement has set is a result of loss in hydrostatic pressure to the point that the well is no longer overbalanced—hydrostatic pressure is less than formation pressure.

Cement damage after setting—SCP can occur long after the well-construction process. Even a flawless primary cement job can be damaged by rig operations or well activities occurring after the cement has set. Changing stresses in the wellbore may cause microannuli, stress cracks, or both, often leading to SCP.¹¹

The mechanical properties of casing and cement vary significantly. Consequently, they do not behave in a uniform manner when exposed to changes in temperature and pressure. As the casing and cement expand and contract, the bond between the cement sheath and casing may fail, causing a microannulus, or flow path, to develop.



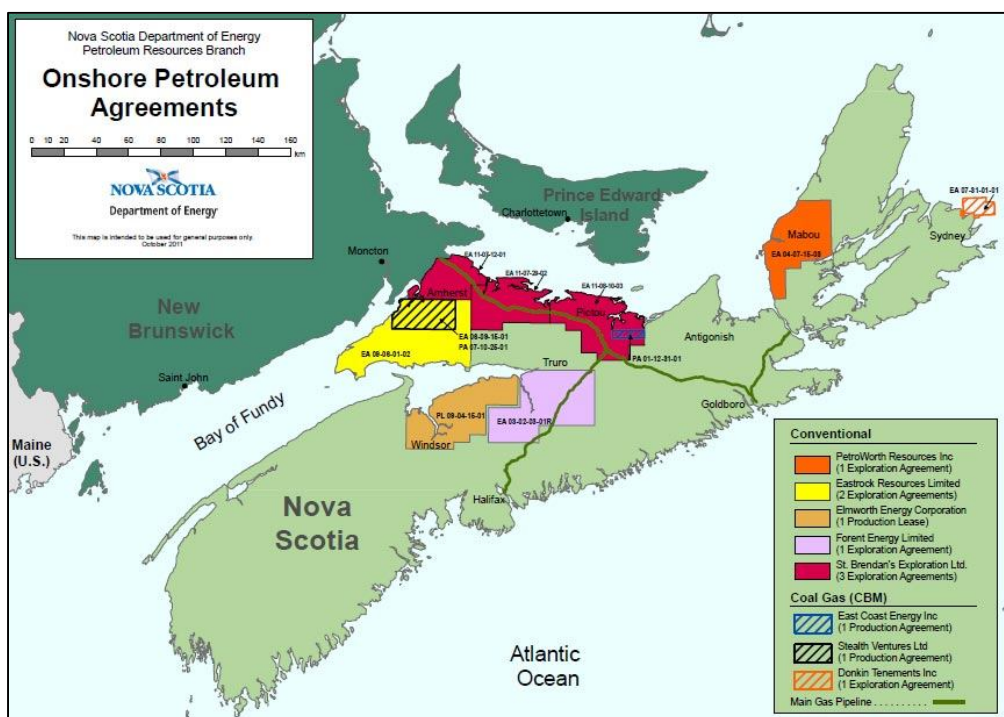
“You notice two things right away. Brand new wells fail at the rate of about five percent. One out of twenty. I submit that that’s not rare. Not rare enough. Especially in the shale formation? 2.5 million acres of New Brunswick? Right now, the going rate in shale formations is one well per 80 surface acres. Do the math. (31,250 wells) One well will drain 80 surface acres. If all 2.5 million acres are developed, and that’s a big if - I’m not saying it’s going to happen, but engineers deal with the extremes - ... that’s 30,000 wells. If five percent of 30,000 wells fail, what is that? That’s 1,500 (wells). That’s not rare. That’s not saying that every well that fails is going to cause a problem with an underground source of drinking water, but when a well does fail, that is a necessary condition for there to be contamination of an underground source of drinking water. And, even if it doesn’t contaminate an underground source of drinking water, it’s going to allow gas to escape to the atmosphere for as long as there is gas down there.”

“Second thing you notice in the data.... The older we get the worse things get - (Ingraffea is pointing to Schlumberger’s data graph with his laser pointer, following the rise in the red vertical bars representing the age of the leaking wells) - **this is an engineering artefact**. A gas well is an engineering artefact, like an automobile, or an airplane. As it ages, bad things happen more frequently. It’s just the nature of the beast. So, by the time the wells get into their old age - and shale gas wells are being projected to last up to thirty years - you can anticipate that about half the wells will eventually lose their integrity. I don’t think that’s rare.”

“So, when I showed this data to the Environmental Protection Agency, I said, well, it’s industry data, I don’t know why Schlumberger didn’t show it to you. But, I did!”

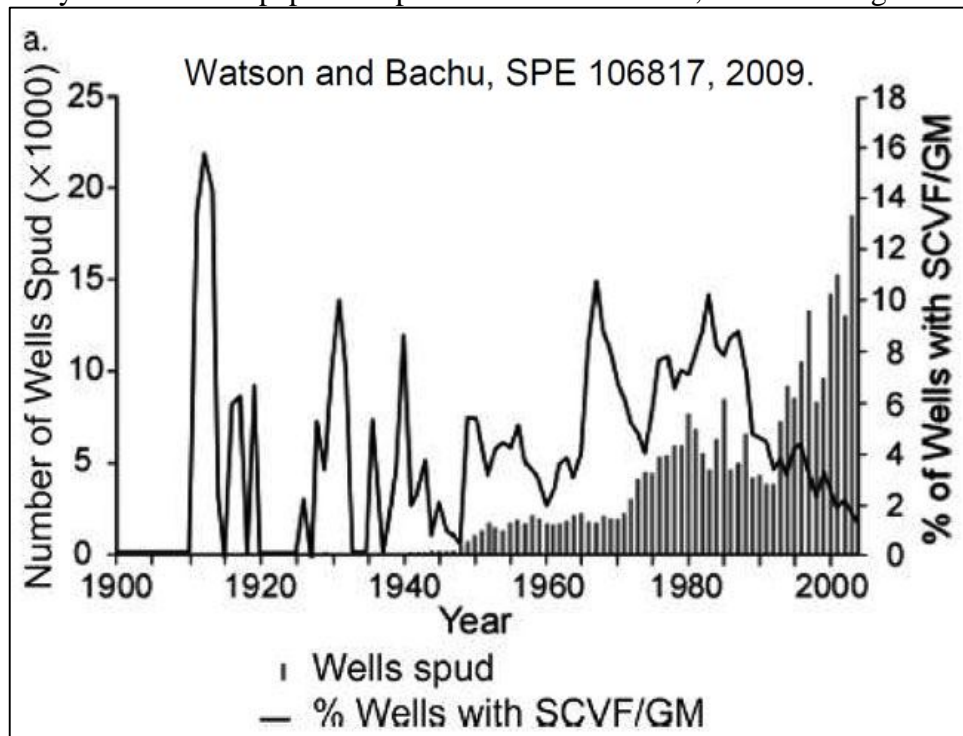
“The guy standing behind me was from Halliburton. And he said: “Ah! *That’s data from offshore wells.*” This is the summer *after* the problem in the Gulf of

Mexico, where Halliburton did the cement job in an offshore well. And, this guy has the arrogance to tell me that it’s irrelevant data!”



“So. I said fine. How about this data. Home grown Canadian data, by the way. This is data taken from 352,000 oil and gas wells in your country. I’m going to interpret it for you.”

“What you need to be looking at is the solid lines. Starts in the year 1910 and goes all the way up to the year 2005. The paper was published in 2009. And, it shows a high variability in the percentage

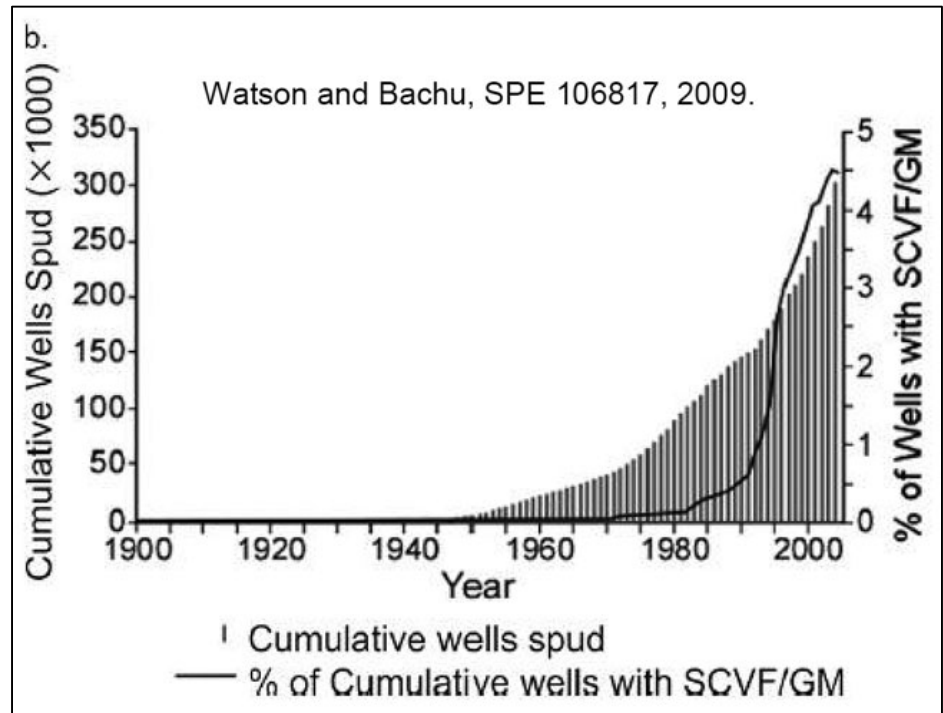


of wells which sustained casing vent flow for gas migration. Notice there have been times when 12% of the wells are failing. Notice when it caves down to about 2% (bottom right). That’s because these are the new wells. Right. The older the well gets, the more likely that they are going to fail. But, even if we take the integral over the last, what, 80 years, or 90 years ...

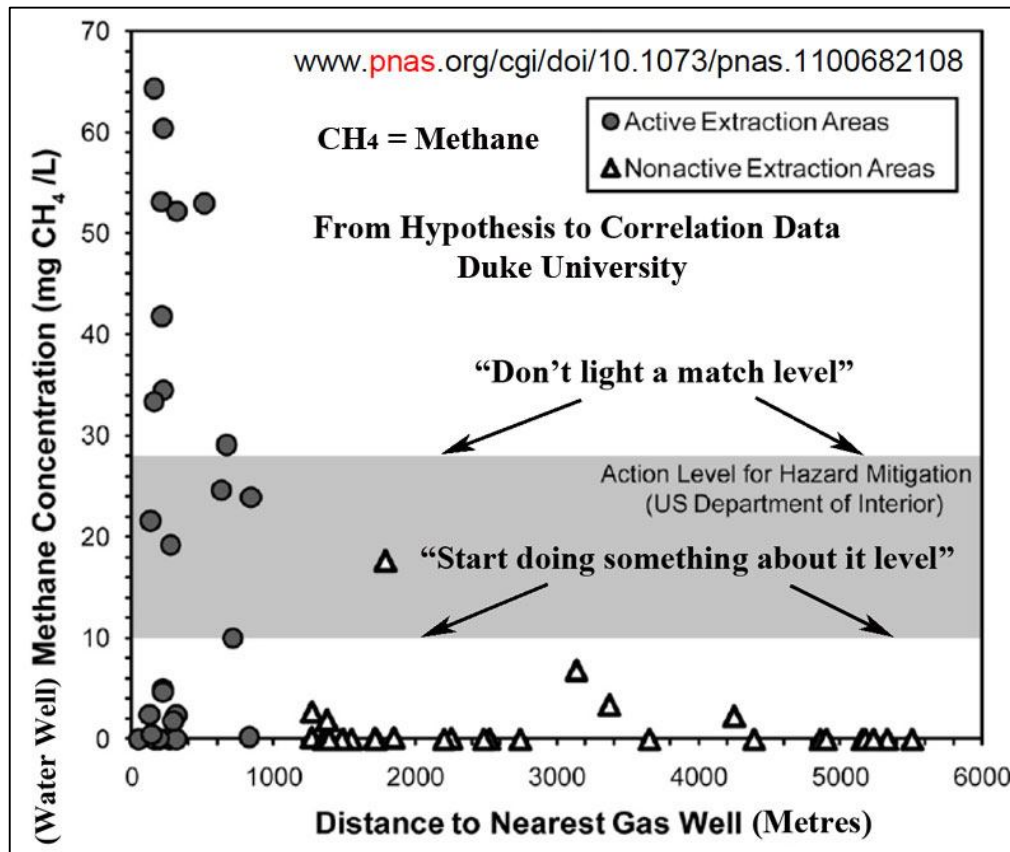
“Look over here and it says: “the percent of cumulative wells that have failed.” Between four and five percent. These are *onshore* wells, not offshore wells. Canadian wells. So, pick a number - 5%? 20%? - it’s not rare.”

“More recent data. Colleagues of ours at Duke University did a study in Pennsylvania and New York that they published earlier this year, that examined the following scientific hypothesis. We

hypothesized that there is a relationship between the distance between a water well and the nearest gas well, shale gas well. We hypothesized that there was a relationship between that distance: let’s see if there is. So, they went out and they tested well water of 68 wells, where the wells were at a variable distance from the nearest gas well. So, let’s see what the data says.”



“The horizontal axis (below) is the distance to the nearest gas well, in metres. The vertical axis is



the methane concentration in the water well, this is milligrams of methane per litre. What they see is, if your water well is on the order of 3,000 metres away from the nearest gas well, the probability that you are going to have a hair concentration is pretty low. There is also the possibility that you could be only 1,500 or 1,200 metres away and you still might have a little concentration. But,

“Engineers work with problems. All engineering problems are: I’ve got a choice of doing this, this, this, or this. I can’t do them all. How do I optimize the situation that ultimately is never going to be perfect, but I control things. Like: I want to make sure the cement doesn’t set up too soon or too late; I want to make sure the cement is sufficiently strong but not so strong that it is going to crack; I want to make sure the cement doesn’t shrink when it cures, but I don’t want it to expand too much either; and I want a cement that will bond perfectly to the steel casing and to all different kinds of rock. What kind of cement is that? We call it, **UNOBTANIUM.**”

by the time you get to being about 1,000 metres away, the probability of you having a high concentration goes up! That’s called correlation data. It doesn’t prove causality, but it is correlation. A scientist looks at that and says, well, we formed a hypothesis that there is a correlation. There is. Now we have to go and figure out why. Why is that data saying what it is?”

“And, by the way. This grey area. These are the action levels for Hazard Mitigation for methane. At this level (the bottom) you are supposed to do something about the methane concentration in your house or your water well. At this level (the top), don’t light a match, or force any kind of spark, because you are now going to have an explosion. So, as you can see, there is a significant number of wells in the danger level for wells that are within a thousand metres, 3,000 feet, of the nearest gas well. This research is ongoing.”

“The industry has data on over 2,000 water wells that they tested in Pennsylvania. They will not release the data. These researchers are colleagues of ours, and they have told us, to my face, that the industry will not release the data to them.”

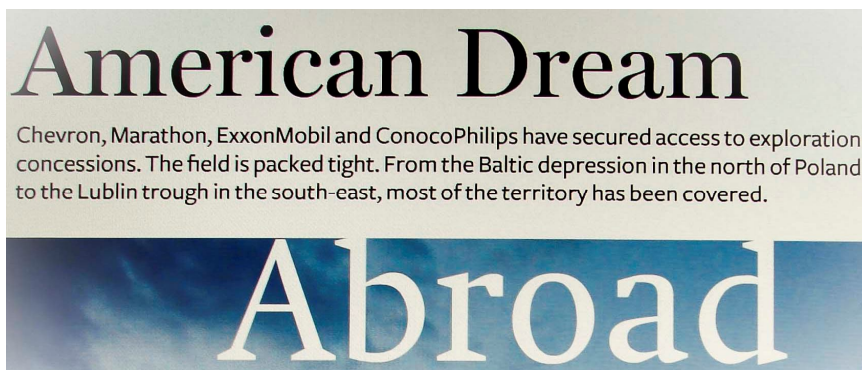
Dr. Ingraffea then summarized all the points he made in examining Myth 2: *Fluid Migration from Faulty Wells is a Rare Phenomenon.*

“Okay. Summary on this data. The Truth is, Fluid Migration from Faulty Wells is a well-known problem - it shouldn’t be a surprise to any company. It’s a chronic problem that’s occurred ever since they started drilling wells. It’s an un-fixable problem, in the sense that you can never guarantee that any well will *not* have a loss of integrity. But you can guarantee, statistically, a predictable number *will*: on the order of five percent initially, higher later. Whose data did I just show you? Not mine.”

“What’s the health impact? One has to expect, statistically, that there will be contamination of Underground Sources of Drinking Water (USDW) *wherever you have drilling*. Whether it’s for unconventional gas, conventional gas, oil, whatever. If you are going to poke holes into the ground, and you are going to install casing, install cement, and you are going to frack - even if you don’t frack - you are going to have an underground source of drinking water contaminated, because the wells fail at a predictable rate. And, that means that you are going to have either drilling fluid, and/or frack fluid, and/or released hydrocarbons, migrating up outside the well with the potential for going into an underground source of drinking water or migrating all the way to the surface and in the atmosphere.”

15. THE LAST CHAPTER: WHAT IS THE FATE OF POLAND'S WATER?

On the variety of issues facing Poland on the fracking front, probably the most pressing and disconcerting relate to issues of fresh water, particularly groundwater. The American multinationals setting up shop in Poland in the early stages, in 2009, were very much aware of the highly sensitive nature of Poland's groundwater sources, for two main reasons:



- public opposition in other western EU States, and in the United States, was making it difficult for their hopes in Poland, seeing that the shale deposits in Poland were the largest in the EU;
- Poland had recently passed legislation protecting its groundwater sources.

“The industry needs to make a concerted effort to explain to locals exactly what will happen in their area when shale drilling occurs.”

The difficult and obvious question for foreign and Poland's state-based petroleum companies was how were they going to handle or 'manage' these problems, especially since many hydrogeologists in Poland and in neighbouring EU states were intent on protecting their own and transboundary groundwater sources, sentiments dearly shared and cherished by

the people. For the petroleum companies to accomplish their goal to drill thousands of wells in Poland, the state would have to become like Texas, or Oklahoma, or Alberta. That's why people like Mike Smith from the IOGCC, and the regulators from Alberta and British Columbia were sent into Poland, so that Poland could sing its own new discordant song, and not to a national/EU song. State employees and departments, laws and regulations, all would have to change to make way for the new frack order. The highly experienced American and Canadian companies knew what had to be changed - some of the legal firms were showing up - everything would be in place so that Poland and its people would ultimately be liable for any environmental or other damages.

**“The fact that Poland's resources are government owned makes it easier. You really only have to deal with organizations, not individuals.”
- Paweł Poprawa**

The very sorts of propaganda slogans, remedies for change and deflections were being introduced en masse, through promotional agencies and outfits such as Cleantech Poland, as seen from the four images here. ¹

¹ Cleantech, *Shale Gas Investment Guide/Poland*, Summer 2011. Schlumberger sponsored the “invite only” evening event on the release of the Guide on May 27, 2011 in downtown Warsaw. Poprawa, referenced in the image above, is with the Ministry of Environment's geology department.

These are messages that could go public, along with facts about gas exploration and production. What chemicals are being released into the watershed? What are the environmental consequences? How might our drinking water be affected? In contrast to parts of the UK, Germany and France - Poland stands ready to embrace shale gas. Further, the environmental message has yet to be crafted.

It will take more than a savvy PR campaign to craft such a message. It will take meaningful and long-standing cooperation. There are a few environmental NGOs, such as World Wildlife Fund (WWF) and Greenpeace. In Poland, their operations are professional. Though without the power and clout of their counterparts in the west, the largest Polish environmental NGOs command the respect of politicians and are invited to discussions, which is all the more reason to go after their support.

What did “pro-fracking”² Polish Prime Minister Donald Tusk announce just a few days after his re-election on October 10, 2011? He was making quick strides to initiate the integration of Poland’s Ministry of Environment with its Ministry of Commerce to thrust Poland into a new darkness - American and Canadian style. Once such transitional measures are enacted, changes in ministerial mandates are reorganized to suit the new flavour of choice: the same devious strategy that petro state governments like Alberta have done to subdue its own watchdog ministries over the environment. The price for the promise of wealth is the sacrifice of its ministerial and the public’s integrity: Poland as petro state.

15-(1). The Krakow Declaration

It was cosmic!

IAH 38TH CONGRESS
Over 500 hydrogeologists gather in Krakow

About three weeks after the Global Shale Gas Initiative conference in Washington, D.C., the 38th Congress of the International Association of Hydrogeologists (IAH) convened in Krakow, Poland on September 12-17, 2010.³ Of the 520 participants from 70 countries, 190 were from Poland, 37 from Germany, 22 from Austria, 22 from Spain, 21 from France, and 18 from the United Kingdom.



Was the world listening to the voices of 600 scientists when they signed the *Krakow Declaration*? The fracking fraternity was undoubtedly dreading the implications.

² *Pro-Fracking Agenda for Poland in EU Presidency*, Petroleum Economist, July 7, 2011.

³ <http://home.agh.edu.pl/~iah2010/extab/index.html>



***We, 600 Scientists** gathered for the XXXVIII Congress of the International Association of Hydrogeologists (IAH), having deliberated for 5 days on over 300 scientific studies on water quality from all over the world, agree and view with concern that the global deterioration in water quality, the degradation of lands, and the consequent impact on human health as well as on human and environmental security should be a world wide concern and will require increased global efforts to assess the current situation and identify appropriate measures.*

Considering the above, we make the Krakow Declaration on the Protection of Groundwater Quality which calls the attention of Governments, UN Agencies and other Multi- and Bilateral Agencies, and seeks to ensure that their policies on water resources management on national and regional levels should recognize

- *the important role of groundwater in water quality management,*
- *that maintaining good water quality in aquifers is the fastest way for achieving the MDGs, by providing cost effective, safe drinking water supplies to more than half of the world's population,*
- *that there is intrinsic water chemistry of some aquifers, that can affect human health, if not properly identified and addressed,*
- *that poorly planned land based activities can cause difficult to reverse deterioration of groundwater quality, and that land management policies have to be developed to minimise risks to long term water quality.*

This recognition would

- *prevent groundwater contamination and groundwater quality deterioration in a less cost-intensive manner than later high cost remediation,*
- *allow pro active measures to be taken that will maintain quality and natural functions of aquifers,*
- *allow incorporation of the principles of ecohydrology as a promising approach for increasing the resilience of groundwater dependent ecosystems in the face of increasing climate variability.*

In relation to the above,

We call upon UN Member States to take note of, and strive to, implement the UN General Assembly Resolution on the Law of Transboundary Aquifers (A/Res/63/124) and the provisions made therein, in particular those regarding groundwater quality.

We call upon donor agencies, such as the Global Environment Facility (GEF), other multilateral agencies, such as the World Bank and bilateral cooperation agencies, to give more attention and increased financial support to sound management of groundwater quality.

We strongly support the mandate of UNESCO and its International Hydrological Programme (IHP) to facilitate Member States in setting up sustainable groundwater management strategies with particular attention to groundwater quality, and call upon the newly approved UNESCO-IHP Section on Groundwater Resources Management to take a lead on this, through UNESCO's global network of water related centres.

We request Poland, as host country of the IAH Congress, and its IHP National Committee, to support efforts to set up world wide campaigns on promoting groundwater quality sustainability.

A very powerful declaration. But what does it all mean, and what specifically does it mean for Poland under its new Donald Tusk administration with its ties to the U.S.-Poland Business Council?

The world's hydrogeologists may not have specifically included the "f" word in their global declaration, but they most certainly implied it. After all, "fracking" (hydraulic fracturing) is the big topic around the world, and water has been a huge topic and policy framework in the EU.

15-(2). Groundwater Protection and Monitoring



According to Leslaw Skrzypczyk and Andrzej Sadurski at the Polish Geological Institute, who co-presented at the 38th IAH national conference in Krakow, Poland has the "first national hydrogeological survey in Europe and possibly in the world:"⁴

*Poland joined the European Union in May 2004. Intensive preparations had been underway since 2000, i.e. since the **EU Framework Water Directive** came into force. Taking into account the necessity to introduce considerable changes in water management, water resources protection, water status reporting and actions undertaken in connection with this, an idea was put forward to organise Polish hydrogeology within a national service institution.*

***The Polish Hydrogeological Survey (PHS)** has been operating for 9 years and was established based on the **Water Law Act of 2001**. As far as I know, it is the first national hydrogeological survey in Europe and possibly in the world. The fact that the duties of the state as regards groundwaters are delegated to a unit established specifically for this purpose shows on one hand that hydrogeology is highly ranked in the field of Earth sciences, and on the other it reveals the significance of groundwater resources for society, the economy and the protection of groundwater-dependent terrestrial ecosystems. After 9 years of the PHS being in operation we are entitled to draw conclusions regarding the scope of responsibilities and the method of their implementation in practice, and to assess the effectiveness of the largest hydrogeological organisation in the country.*



*At this point it ought to be mentioned that the term 'hydrogeology' meaning the branch of science devoted to groundwaters has been in use in Poland for 120 years. For 60 years Polish academic institutions have been promoting graduates in the field of hydrogeology. **Approximately 2000 people currently work in design and consulting offices, in administration and in academic centres in the specialised branch that is hydrogeology and engineering geology.** This branch has solved a series of problems connected with detailed cartography of the country, mining excavation dewatering,*

⁴ Abstract number 545, *Polish Hydrogeological Survey - Challenges and Achievements*.

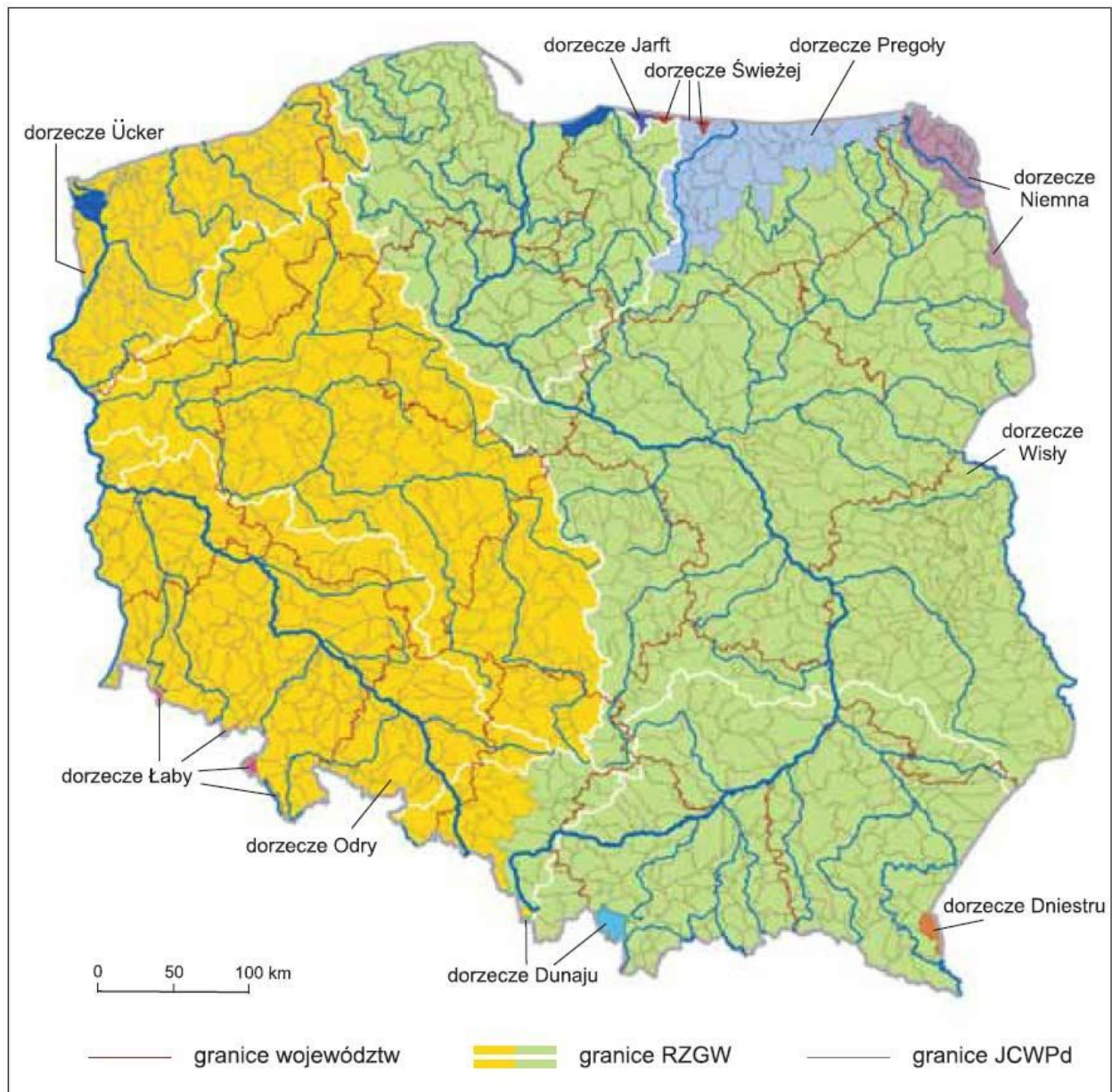
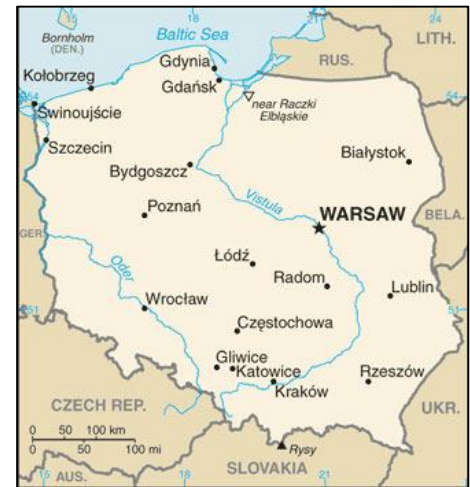
construction excavation dewatering, intake construction and the provision of water to cities and districts.

*In the last two decades, Poland has undergone system and economic transformations, has become a member of the European Union and is currently implementing the Union's policy as regards protection of groundwater resources, along with neighbouring countries. Once Poland became a member of the EU in May 2004, the necessity arose to change the legal regulations by harmonising them with **EU directives** and to adapt activities that could make it possible to determine GWBs, evaluate their status and design and undertake actions to improve it. These activities are being successfully implemented, mainly due to structural and organisational changes, such as the establishment of the Polish Hydrogeological Survey at the Polish Geological Institute – the National Research Institute.*

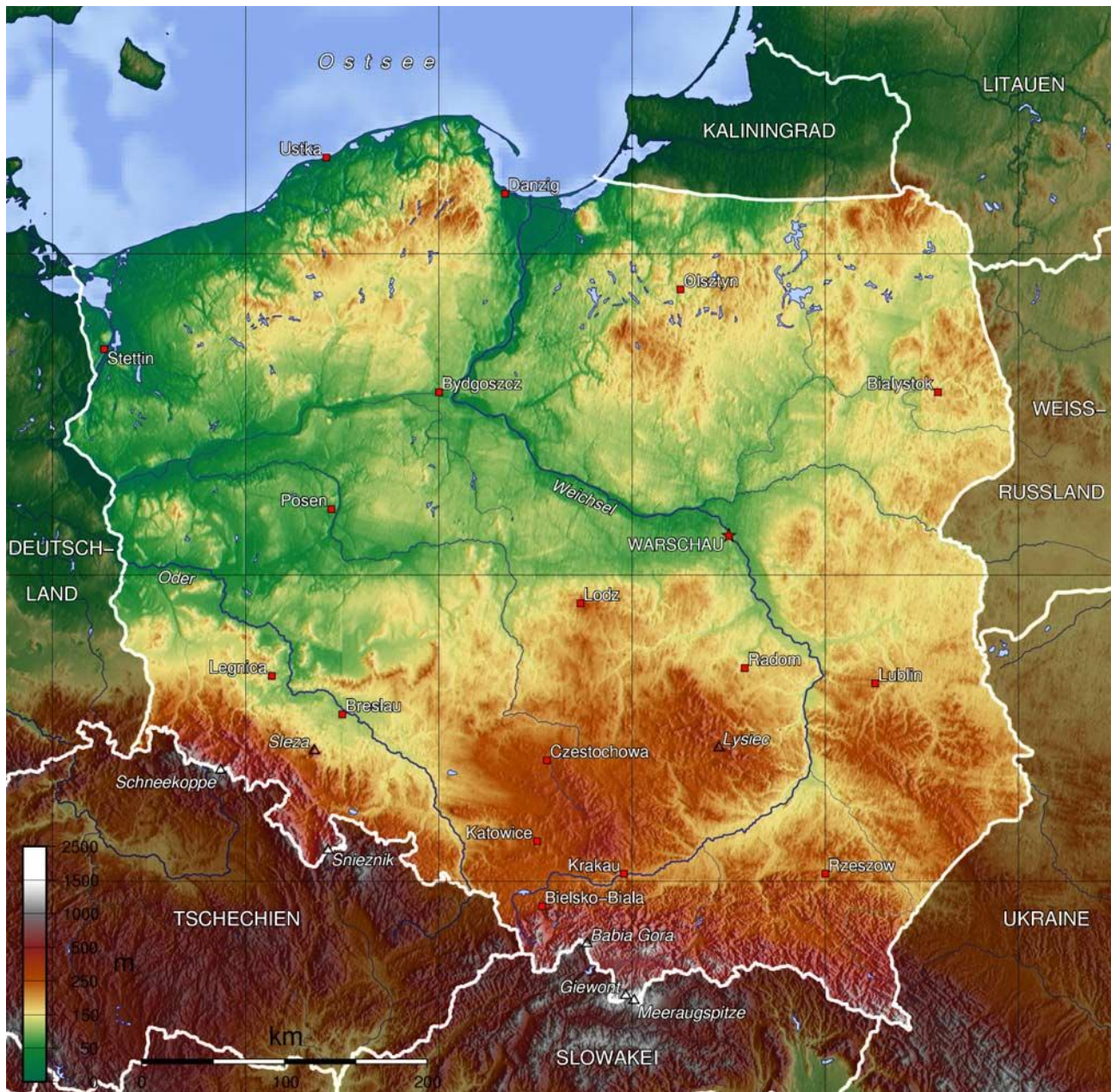


Poland's *Water Law Act* of July 18, 2001 was implemented following an EU Directive in 2000 (Directive 2000/60/EC) regarding water management and protection of waters. A subsequent EU Directive in 2006 (2006/118/EC) strengthened the earlier directive, to protect groundwater from pollution and deterioration. Poland's Water Law states that hydrogeological surveys are to be conducted by the Polish Geological Institute/National Research Institute.

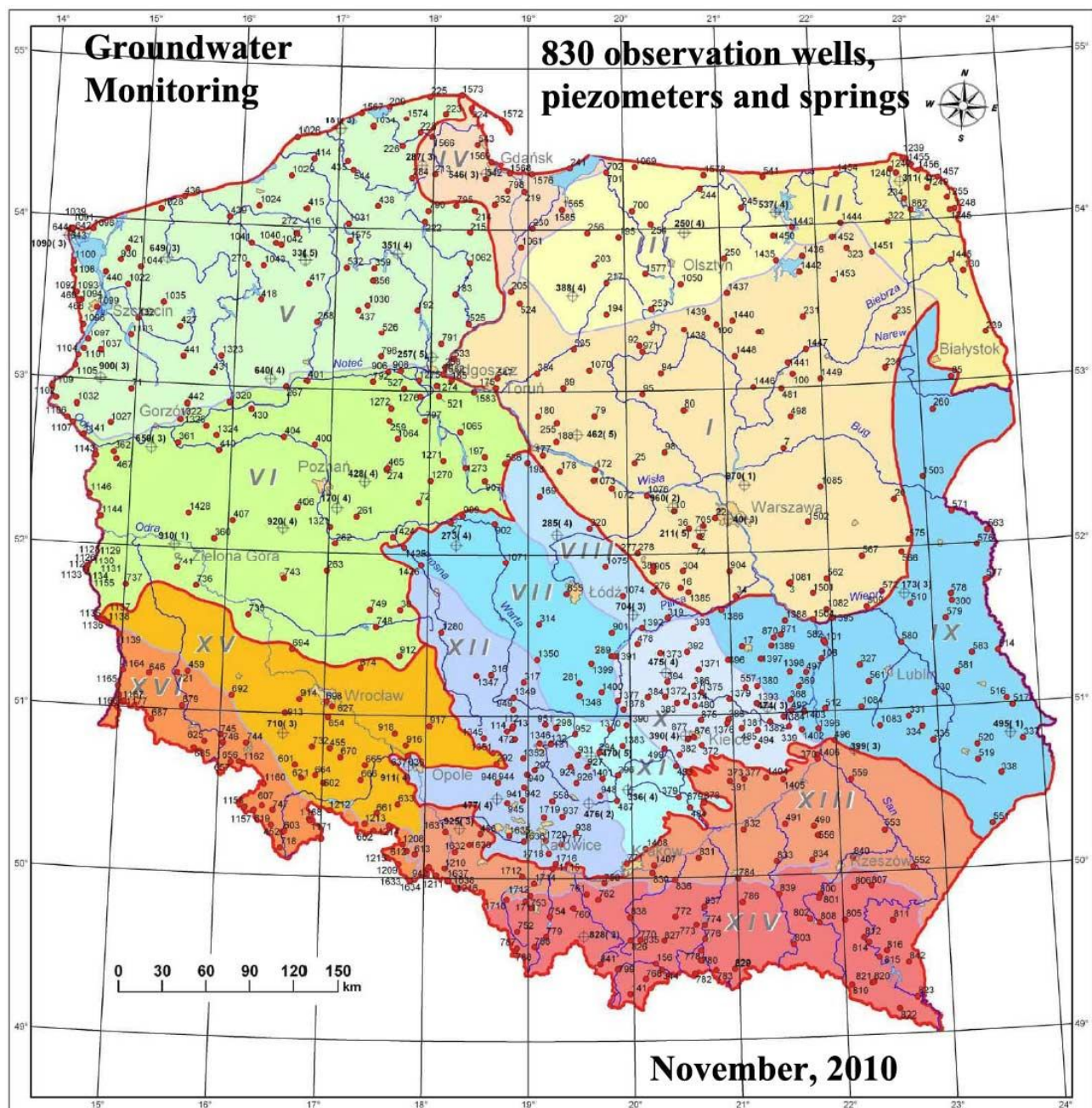
Below is a map showing the primary watershed or drainage basins of Poland. The Vistula (Polish, *Wisła*) River basin (green) is the largest, 194,424 square kilometres, and the river's length is 1,047 km. The other major basin is the Oder (yellow) of 854 square km. The Oder, which originates in the Czech Republic, winds 742 km, forms about half the political border with Germany, and also empties into the Baltic Sea.



The principle of sustainable groundwater management, which takes into account the demand of the society and the economy and, at the same time, ensures the protection of resources and groundwater-dependent ecosystems requires detailed knowledge concerning the hydrogeological and environmental conditions of the occurrence of aquifers. This is why the Polish Hydrogeological Survey carries out a series of works the purpose of which is to study and protect groundwater resources. (Polish Hydrogeological Survey website, Main Tasks)

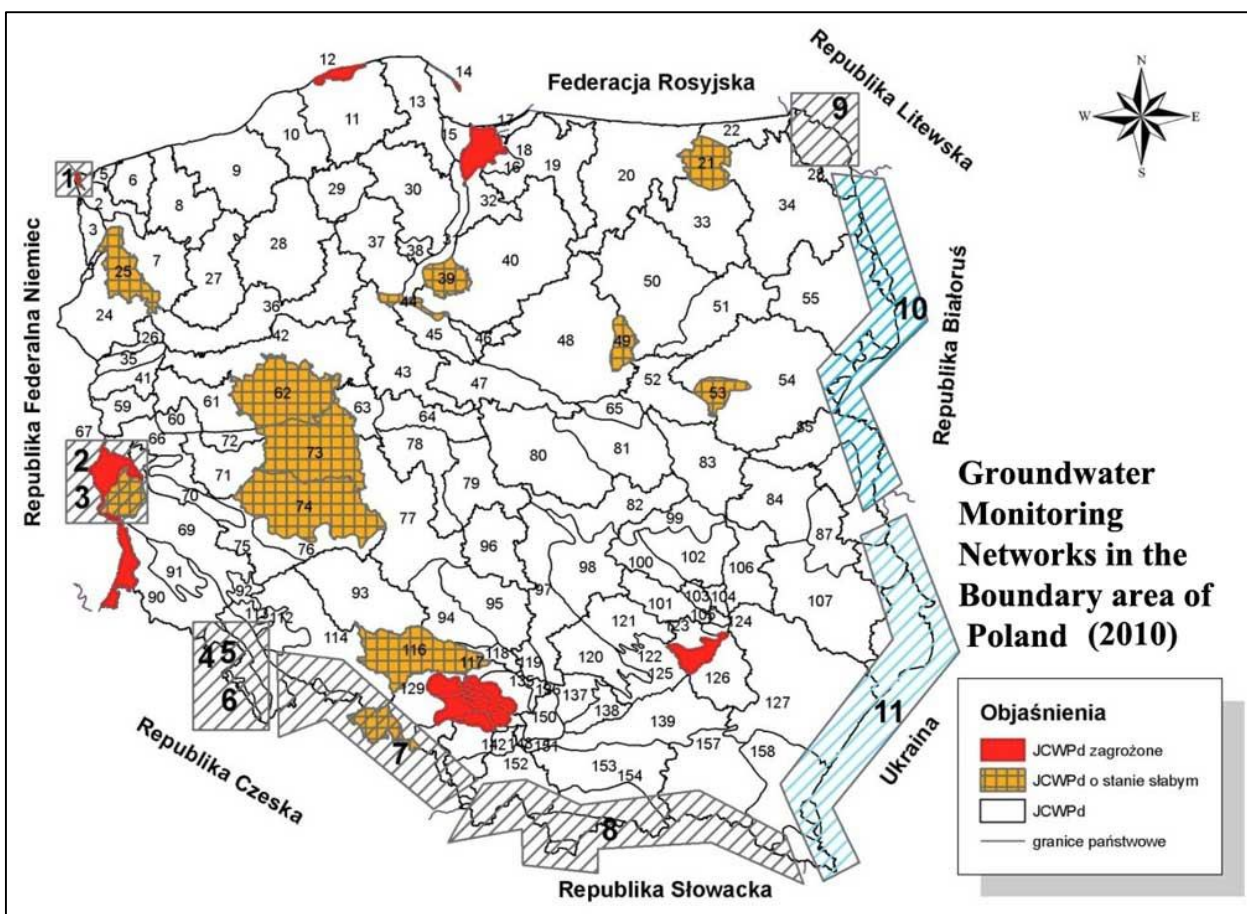


Relief map of Poland. The Carpathian mountains in Poland's southern region are the headwaters of its two main river drainage systems or primary watersheds. The geologic unconventional shale gas, shale oil, and coalbed methane concessions granted to foreign and state-based petroleum companies diagonally transect the high mountain and lower plains of Poland.



Poland's four groundwater monitoring regions (dark red lines) are further divided into 16 sub-regions (identified by Roman numerals and color shading). Source: *Groundwater Monitoring in Poland and Cross-border Areas*, by Tomasz Gidzinski, November 24, 2010, at the Druskininkai meeting.

Cross-border groundwater monitoring with Poland's neighbouring states began in 2003. In 2006, an inter-state cooperative groundwater program began under NATO's Science for Peace (SPS), *Sustainable Use and Protection of Groundwater Resources - Transboundary Water Management*. According to the program's Pilot Study summary, "the main idea of the project is the development of transboundary water quality monitoring and assessment between Ukraine and Poland," with "strong support from the USA and Israel, and the development of international cooperation on implementation of transboundary water quality assessment:"

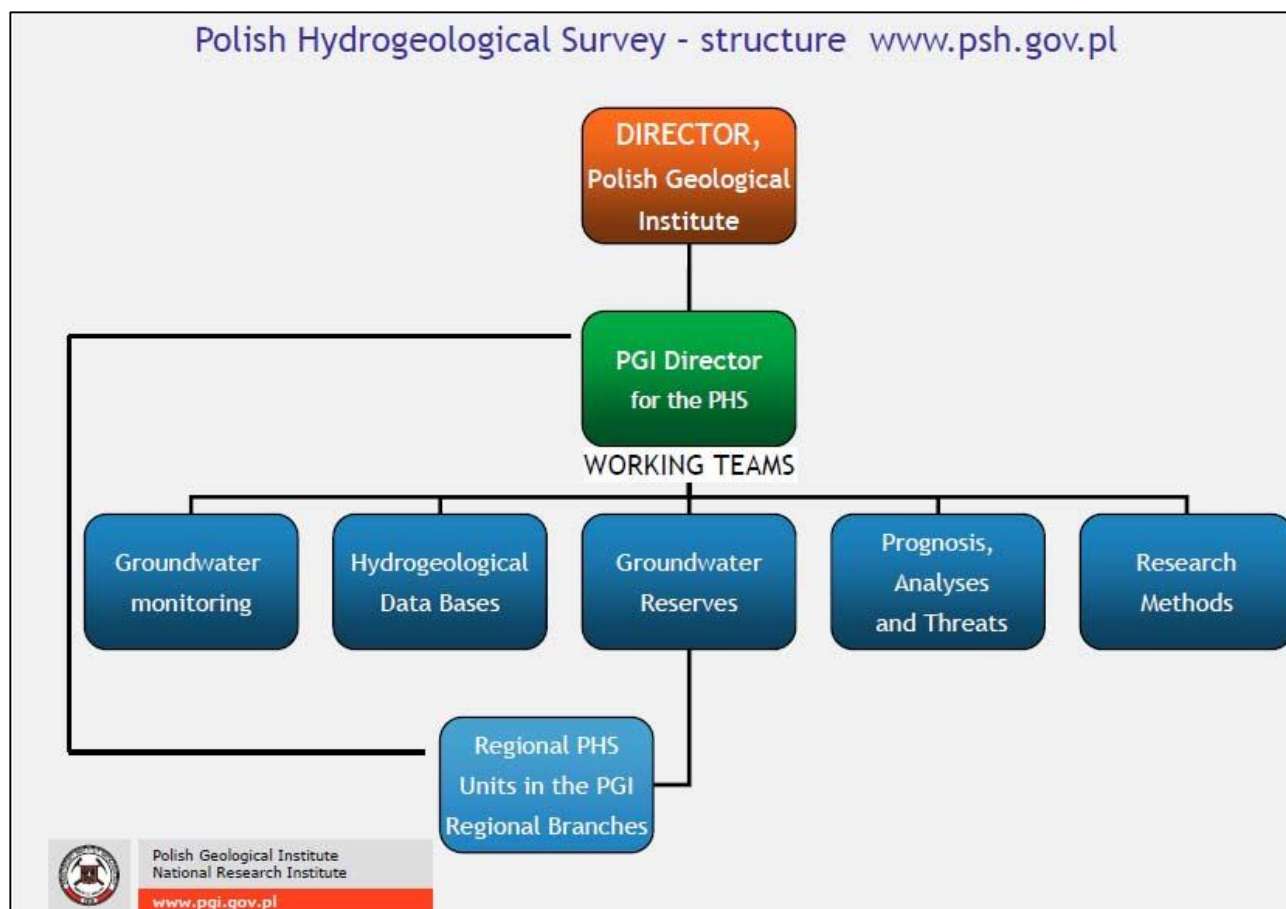


Source: *Groundwater Monitoring in Poland and Cross-border Areas*, by Tomasz Gidzinski, November 24, 2010, at the Druskininkai meeting

Groundwater resources will be of increasing significance for the domestic economy in the future because surface waters - the main water source used by humans over ages - become progressively more contaminated. Now more than 60% of man-used water comes from groundwater resources. The consequences of water shortages could destabilize the geopolitical environment. The political conflicts that such changes in water resource availability could engender, could put global economic sustainability and security at risk. Therefore, the most important fields of activity in hydrogeology are the preparation of balance of groundwater resources, assessment of factors affecting their formation, and implementation of protection systems.

Another stage in the development of hydrogeological cartography in Poland was the development of a digital Hydrogeological Map of Poland (MhP) between 1996 and 2004, scale 1:50,000, which offers a broad description of useful aquifers that are the primary source of water for people, industry and agriculture. Since 2005 cartographical works have continued connected with describing shallow groundwaters directly affecting the surface waters, land ecosystems and a considerable part of the farmlands and woodlands.

Royal Dutch Shell, with shale gas concessions in Poland's neighbouring State Ukraine, is just starting to frack up that country.



“Approximately 2,000 people currently work in design and consulting offices, in administration and in academic centres in the specialised branch that is hydrogeology and engineering geology.”

The Polish Hydrogeological Survey supervises an extensive project the purpose of which is to delineate protection areas of the Major Groundwater Reservoirs in Poland. This project uses mathematical groundwater flow modelling.

Poland’s population of about 39 million people are scattered over an area of about 313,000 square kilometres. That’s a density of about 122 people per square kilometre.

The State is divided into 16 counties (voivodships), 379 cities/townships (powiats) and 2,4578 communes (gminas). About 30 percent of Polish people live and work in agriculture settings, where cultivated land represents 41% of Poland’s lands. There are over 8,000 lakes in Poland (one hectare in area, over), representing about 2.5% of Poland’s land mass, most of which are located in the north, in the Pomeranian and Masurian Lake Districts.

The largest collection of data regarding hydrogeological boreholes in Poland is the Central Hydrogeological Data Bank, known as the HYDRO Bank, containing information on 134 thousand documented hydrogeological features in Poland. The *Intake Database* provides information on the use of groundwater intakes. The data come from over 11 thousand intakes and along with the *Disposable Groundwater Resources Database* is the basic source of information necessary for undertaking water management

According to a short descriptive on *Poland* by the Poland National Committee of the ICID:

Poland is one of the European countries with quite limited water resources.... To make things worse Poland's poor water resources are substantially variable in time and space.

Water deficit in agriculture is strongly felt in the central belt of the Polish lowlands. According to statistical data from the late 1970s the acreage of overgrazed agricultural land was around 4 million ha. This poor condition of the land is caused by extensive deforestation done in the past as well as by improper management of the water resources.

It is believed that protection of water resources must consist of storing as much water as possible from the spring meltwater and from periods of intensive precipitation. The condition of the water system could be significantly improved by the conscious and appropriate shaping of the agricultural landscape.

Disseminating information on groundwater

A significant aspect of the activity of the Polish Hydrogeological Survey involves raising the awareness of the public in the area of groundwater use. Consumers do not tend to think about the origin of the water they drink and they are often unaware that it comes from groundwaters that is "invisible" on the surface and the quantity of which exceeds that of surface waters by tens of times. Education in this respect starts as early as primary schools, through various contests, dedicated classes, exhibitions and brochures.

The basic information on the condition of groundwaters in the country is made available by the following cyclic publications: informational groundwater bulletins, hydrogeological annual reports, guidelines of the Polish Hydrogeological Survey, handbooks and other. Direct access to information on Polish groundwater resources is provided by a website of the PHS (www.psh.gov.pl) and the e-PHS geoportal.

On October 12, 2011, two days after Donald Tusk was re-elected as Poland's Prime Minister, and the day before Tusk was reportedly musing about merging the Ministry of Commerce with the Ministry of Environment, over 150 people gathered for a *Digital Hydrogeological Cartography in Poland* symposium where they not only celebrated and paid tribute to Professor of Hydrogeology, Bronislaw Paczynski, for 60 years of work, they also celebrated his ten years of service with Poland's hydrological survey.

Along with other presenters at the symposium was a celebration of Poland's modern digital hydrogeological mapping series which began in 1996, detailed mapping at the 1:50,000 scale. For more than 20 years, professor Paczynski played an important role as deputy chair and chair of the mapping program.



Guests later gathered in a banquet hall at the Museum of Geology in Warsaw for a final formal tribute to professor Paczynski.

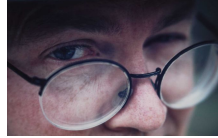


When carefully examining the petroleum industry's promotional material (including the reams of recent materials from its hired teams of public relation firms) and conference presentations on shale gas in Poland generated over the last two or three years, the reader will not find descriptive and honest representations of Poland's history and efforts to protect surface and groundwater sources. By ignoring this history as summarily presented in this chapter - a strategy formerly executed by the timber industry in North America as it was mining forests in the public's protected drinking watershed sources - the petroleum industry would like the public to simply forget about such matters. Of great concern, as the shale gale starts to unfold, water programs and critical data may soon be under threat, and conscientious watchdogs in Poland's government marginalized.

FRACK EU: UNCONVENTIONAL INTRIGUE IN POLAND



A Preliminary Investigation of the Fracking Assault on Poland



Conceived, researched, written,
edited, produced and financed
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Vancouver, British Columbia

January 23, 2012

(For the complete report chapters index, refer to the B.C. Tap
Water Alliance website, under *Stop Fracking British Columbia*)

APPENDIXES

Appendix A: B.C. Tap Water Alliance: presentation to the Canadian federal Standing Committee on Natural Resources, February 3, 2011; press release, Public Inquiry Needed to Address Human Health and Environmental Risks Posed by Shale Gas Drilling, Coalition Says, April 14, 2011.	A-1
Appendix B: Halliburton News Release, July 9, 2010 - First Shale Fracturing Operation in Poland	A-5
Appendix C: David L. Goldwyn	A-6
Appendix D: Andrew Nikiforuk Articles, in The Tyee (March 17, 18, 2011) - <i>The Gwyn Morgan File: Rise of a Shale Gas Baron</i> , and <i>EnCana's Grip on BC</i>	A-8
Appendix E: Landman-Gate	A-19
Appendix F: Andrew Nikiforuk, 2006 - Fire Water and Dr. Muehlenbachs	A-24
Appendix G: WPP	A-28

Appendix A: B.C. Tap Water Alliance Presentation to Canada's Natural Resources Standing Committee, February 3, 2011 and April 14, 2011 Press Release

B. C. TAP WATER ALLIANCE

**Caring for, Monitoring, and Protecting
British Columbia's Community Water
Supply Sources**

Email – info@bctwa.org

Website – www.bctwa.org

(Stop Fracking British Columbia – www.bctwa.org/FrackingBC.html)



NATURAL RESOURCES STANDING COMMITTEE PRESENTATION - FEBRUARY 3, 2011

Bonjour. Merci Beaucoup. Thank you for the opportunity to appear before this Committee.

My name is Will Koop. I am a researcher and author of numerous reports and a book concerned about the protection of public drinking water sources in British Columbia (see B.C. Tap Water Alliance website, www.bctwa.org). A year ago I created a website, *Stop Fracking British Columbia*, when I began to investigate energy corporations in northeast BC mining enormous volumes of fresh water to hydraulically fracture or “frack” deep shale gas deposits. Though water is a fundamental component of fracking, it is only one of numerous other environmental and social concerns.

BC's shale developments are far removed from where I live, an 18-hour vehicle journey from Vancouver just to get to the outer edge of the vast energy zones leased to the international energy companies. I visited the area twice, in May and September, 2010. As a result, I produced three reports that touch on some of the dynamics of these issues:

- June 17, 2010: *The World's Biggest Experimental Frack Job!!* (Apache Canada's 2010 operations in the Horn River Basin);
- October 13, 2010: *24-7 Less Peace in the Peace* (Talisman Energy's operations north of Hudson's Hope);
- November 9, 2010: *Encana's Cabin Not So Homey* (the issue of cumulative effects).

In addition, I also produced two YouTube videos: *My Very First Frack*, and *The Komie Commotion*.

Quebecers concerned about deep shale gas developments have translated my cumulative effects report and the videos into French on their website blogs.

Our provincial regulator, the BC Oil & Gas Commissioner, stated to this Committee on December 14, 2010, that the environmental and social consequences from deep shale gas developments in northeast BC are “responsible” and in order. *I'm here to tell you that they are not!*

For instance, in my report, *EnCana's Cabin Not So Homey*, I described how the **RUSH** to develop BC's non-renewable deep shale gas is occurring without cumulative environmental effects studies:

Northeast British Columbia's shale gas race will undoubtedly become and remain one of the most significant environmental and public planning issues facing First Nations, the Province, Regional Districts, regulators, communities and residents alike. Given the backdrop of evermore lax and non-existent legislation and regulations, these developments can be understood as distinct social and political failures.

I included a quote from a 1986 Ministry of Environment report that aptly summarizes what the BC government has failed to undertake:

Strategic planning precedes the sale of petroleum rights. This ensures all parties involved are aware of the concerns and constraints associated with development in an area before development is proposed.

In 1991, the Ministry of Environment released a report urging the government to implement “cumulative effects” studies in the energy zone, which it failed to undertake. The concerns by Ministry staff continued about the absence of cumulative effects with the creation of the BC Oil and Gas Commission in 1997. In 2003, the Commission finally published a lengthy two-volume report on how to *possibly* implement cumulative environment effects in northeast BC. However, the matter was ignored. Since 2003, the government leased thousands upon thousands of hectares of public lands to energy companies without conditions to conduct cumulative effects studies and without consulting the public.

When EnCana's representative Richard Dunn was asked by this Committee to comment on the state of cumulative effects studies in British Columbia, Mr. Dunn stated on November 23, 2010, that “***it would not make sense to do a cumulative effects assessment.***” Mr. Dunn's response is not only an affirmation that cumulative effects studies have been ignored, but it is also a disturbing statement about the energy corporation's attitude and philosophy, including Mr. Dunn's comments about Canada being on the “forefront of environmental and economic stewardship.” EnCana has significant lease areas and corporate partnerships throughout northeast BC, and elsewhere.

There was only one long-term cumulative environmental effects study in western Canada. It was conducted by Ernst Environmental Services of Pioneer Natural Resources Canada Inc.'s oil and gas operations in the Chinchaga area of BC and Alberta. Unfortunately, that ten-year study was terminated after the company was acquired in November 2007 by Taqa North, a Saudi Arabia company owned by the Abu Dhabi National Energy Company PJSC, with deep shale gas leases in northeast BC. In 2005, Jessica Ernst, of Ernst Environmental Services, had her well water in Rosebud, Alberta contaminated with methane, ethane and other hydrocarbons after EnCana fractured the area for coalbed methane gas.

As Mr. Parfitt testified before this Committee on December 2, 2010, the cumulative effects issue is further complicated by the fact that the BC Oil and Gas Commission has provided little accurate or comprehensive data on public resource uses by energy companies, such as the water withdrawals list he referred to. This long list released by the BC Oil & Gas Commission regarding companies operating in the Horn River Basin, failed to provide accurate information, incorrectly suggesting that little water was needed for fracking operations from 2009-2010.

I wrote in my last report that EnCana had apparently conducted the world's largest fracking operation on multi-well pad 63-K in the Horn River basin next to Two Island Lake, doubling the resource figures by Apache Canada a half year earlier when it announced the world's largest frack operation a few kilometres away. I estimated that EnCana used about 1.8 million cubic metres of fresh water (over 700 Olympic swimming pools of water), about 78,000 tonnes of specially-mined frack sand (about 800 rail cars), and about 35,000 cubic metres of toxics, and that this operation might be a template or indication of many more operations in the future. The BC government does not mandate energy companies to publish this, and related, data, but ought to.

EnCana's public relations officer in its Calgary headquarters later said to me in a telephone conversation that EnCana was concerned about the information in my report. I responded that I was only too happy to change the information if EnCana would provide me with its own final figures from pad 63-K. I then emailed a number of questions to EnCana (see attached), but have not received a response. As I read from this Committee's transcripts, EnCana promised to provide the Committee with the water and frack sand data on pad 63-K, but has yet to do so.

(Email sent to EnCana, Calgary Headquarters, 16/11/2010 1:22 PM.)

When I obtain the final information from you (EnCana) about 63-K pad (at Two Island Lake), I will then make the necessary changes to my recent report. The projected information in my report was based on an interview with a Trican rep. that confirmed information presented in Trican presentations.

Here are my immediate questions for 63-K pad:

1. Are all the completions for all 14 wells completed?
2. Is the total number of "314 fracs" correct, and if so, does this reflect the end of completions for 63-K.
3. Can you provide me with the data on how many completions were done per well.
4. Can you provide me with data describing the length of each horizontal bore.
5. How many days did all the completions take in total, beginning to end (if all the completions are completed).
6. I know from the OGC that information on 63K is generally registered as "confidential". Can EnCana provide me with the well completions data it provides to the OGC re total water volume, total frack sand, and total bulk chemical volume use for 63-K pad? Sincerely, Will Koop.

The absence of long-term, integrated strategic cumulative effects planning, the lack of accurate resource use data by the Oil and Gas Commission, and little governmental oversight or monitoring of the energy developments in northeast BC are not the only concerns. Many landowners who are directly affected by the energy developments have told me of their concerns, whereby they seem to have few rights and stakeholder privileges. They state that: high pressure toxic gas facilities should not be established so close to residences; air quality standards are deficient; there are few or no air monitoring alarm systems; water tables used for residents and agriculture are changing; that BC's Mining legislation gives priority to developers to access and develop private property. David Core with the Canadian Association of Energy and Pipeline Landowner Association provided the Committee with some of these concerns on November 25th.

The concerns that I have raised to this Committee about legislative and regulatory deficiencies and monitoring oversight in British Columbia are not isolated. In our submission to the National Energy Board in July, 2006 regarding Kinder Morgan's Anchor Loop Project (<http://www.bctwa.org/NEBSubmission-July10-06.pdf>), I reported how the Alberta government failed to act on the recommendations of a special Committee appointed by Alberta's Executive Cabinet in 1972. That committee recommended that the tar sands ***might be*** developed over a 750 year period, not a 50 year period! The Alberta government suppressed the report until it was leaked 3 years later to Mel Hurtig, who then released the study. The special governmental committee headed by the Ministry of Environment understood the "***magnitude***" of environmental consequences from energy companies proposing to mine the tar sands. In that same report, the committee made strong statements concerned about multinational energy corporations and strong statements about Canada's energy security as it related to both protecting the environment and in providing long term energy supplies found in Canada for the long term use of Canadians. Thankyou. Merci.

April 14, 2011 - PUBLIC INQUIRY NEEDED TO ADDRESS HUMAN HEALTH AND ENVIRONMENTAL RISKS POSED BY SHALE GAS DRILLING, COALITION SAYS

VANCOUVER - The B.C. Government should follow the lead of other Canadian provinces, individual U.S. states and the U.S. Federal Environmental Protection Agency in launching a full, public inquiry into the threats posed by an expanding shale gas industry, a number of British Columbia's prominent environmental organizations say.

"Given the growing concerns associated with contaminated waterways and dangerous migrations of deadly gas associated with shale gas developments, the time has come for the province of British Columbia to conduct a full public inquiry into the environmental and social impacts of the shale gas industry," says Will Koop of the B.C. Tap Water Alliance.

The Alliance has made a formal request for an inquiry in a letter sent on April 13th to Energy and Mines Minister Rich Coleman, Environment Minister Terry Lake, and Forest, Lands and Natural Resource Operations Minister Steve Thomson. It is supported in its call by the Western Canada Wilderness Committee, the Council of Canadians, Sierra Club of BC, Georgia Strait Alliance, and Dogwood Initiative, with many more organizations expected to endorse the petition.

The call follows an earlier request by citizens living in the midst of shale gas industry activities in northeast B.C. for a formal public inquiry under the provincial Health Act to address the public health and safety risks associated with "sour" gas - natural gas containing hydrogen sulphide, a potentially deadly toxin. Some sour gas leaks in northeast B.C. have been associated with the controversial gas stimulation technique, hydraulic fracturing or fracking, which is commonly used by the shale gas industry.

Last year, the province of Quebec held a public inquiry into proposed shale gas developments. It released an initial report in February 2011, and currently has a quasi-moratorium in place banning shale gas developments pending further study. The province of Nova Scotia has signalled its intention to hold a similar inquiry process.

In the United States where hydraulic fracturing operations have resulted in contamination of well waters and aquifers, many State agencies are holding similar reviews and a thorough public review by the federal Environmental Protection Agency is underway.

The B.C. Government has so far resisted doing anything similar.

"We are concerned with the province's indifference to this issue. Despite calls from its own Ministry of Environment staff to conduct cumulative environmental assessments of gas industry activities in northeast BC since 1991, the government has failed to do so," Koop says. "Given the impacts on our environment, human health and significant increases to greenhouse gas emissions over an area that represents about 15 percent of BC's land mass, we believe the government should immediately implement a rational public review and planning approach to energy developments in B.C."

"I am very concerned about the impact of fracking on human health, from the use and disposal of chemical toxics from drilling fluids to fracking processes with water, and the release of deadly gases," said Ben West, Healthy Communities Campaigner for the Wilderness Committee. "To make things worse, increasingly it seems that some of these projects are meant to provide natural gas to the tar sands to facilitate increased extraction of dirty oil. These fracking projects should be stopped until we take a long hard look at them."

APPENDIX B: HALLIBURTON NEWS RELEASE (July 9, 2010)

First Shale Fracturing Operation in Poland

On July 9, Halliburton achieved a major milestone in Poland by performing the first-ever, large-scale hydraulic fracturing operation for PGNiG, the state-controlled Polish oil and gas company. On July 18, on the same well, another major milestone was achieved when Halliburton performed the first-ever shale frac in Poland.

The Company's Production Enhancement team performed both of these successful fracs in the Markowola-1 well located within the Pionki-Kazimierz license. The goal is to prove both tight gas and shale gas reserves in the reservoirs.

The frac jobs created high interest and enthusiasm within the country, and, in the ensuing media coverage, Halliburton was featured as a company possessing state-of-the-art technology.



Halliburton was chosen for the project based on its strong history of success working with PGNiG. Leading up to the project, Polish media outlets fanned interest by positioning it as a possible step toward achieving national gas independence. Poland uses approximately 14 billion cubic meters per year, with more than 60 percent of it imported.

On the July 9 frac job, live television news broadcasts from the site provided viewers with ongoing progress reports. There were also several presentations by representatives from PGNiG and a visit from Mikolaj Budzanowski, the undersecretary of state in the Treasury Ministry.

Jerzy Wozniak, Halliburton's Business Development manager for Poland, represented the Company at the media event. "This is an exciting time for Poland, PGNiG and for Halliburton," Wozniak said. "We embrace this opportunity to be part of this very significant project, and we look forward to the continuing evolution of our relationship."

In his remarks, Wozniak also mentioned Halliburton's extensive history in Poland and touched on the Company's experience as a worldwide technology leader in developing shale gas and other unconventional assets.

After the project was completed, a spokesperson for PGNiG complimented Halliburton on the success of the fracturing program and expressed complete satisfaction with the planning and execution. "It went exactly per program," he said, "and the results were excellent."

Representatives from PGNiG who were present for the live event included Marian Szymczak, deputy director of Drilling and Completion; Zbigniew Krol, director for Drilling and Production; and Adam Gorka, chief geologist.

Significant production of shale gas could begin in Poland within three to four years if economic production of the reservoir is proved.

APPENDIX C: DAVID L. GOLDWYN

(U.S. State Department website biography)

David L. Goldwyn
Special Envoy
International Energy Affairs

David L. Goldwyn is the State Department's Coordinator for International Energy Affairs. Appointed by Secretary Clinton, he was sworn in on August 17, 2009. On August 30, 2010, Secretary Clinton announced that Mr. Goldwyn will now carry the concurrent titles of Special Envoy and Coordinator for International Energy Affairs. Prior to his appointment, Mr. Goldwyn was President of Goldwyn International Strategies LLC (GIS), an international energy consulting firm from 2001-2009. GIS was a leading adviser on extractive industry transparency. Through GIS, Mr. Goldwyn advised Nigeria's Extractive Industries Transparency Initiative (EITI) on its groundbreaking implementation program, authored "Drilling Down: The Civil Society Guide to Extractive Industry Revenues and the EITI" for the Revenue Watch Institute and headed the sole U.S. firm certified to rate countries on their compliance with the EITI rules.

In addition to his private sector experience, Mr. Goldwyn served the U.S. Government as Assistant Secretary of Energy for International Affairs (1999-2001), Counselor to the Secretary of Energy (1998-1999); national security deputy to U.S. Ambassador to the United Nations Bill Richardson (1997- 1998); Chief of Staff to the Under Secretary of State for Political Affairs (1993-1997) and an Attorney-Adviser in the Office of the Legal Adviser at the State Department (1991-1992).

Mr. Goldwyn has authored a series of works on energy issues, including a co-edited book on international energy security, *Energy and Security: Towards A New Foreign Policy Strategy*, (Johns Hopkins University Press, August 2005); "Building Long Term Energy Security: Seize the Moment," *Global Energy and Environment Initiative Green Paper Series*: No. 1, Spring 2009); "New Threats to Energy Security," *Current History* (December 2006); "The Petrol Factor" (with Edward Morse), *Aspenia* (April 2006); "A Strategic U.S. Approach to Governance and Security in the Gulf of Guinea: A Report of the CSIS Task Force on Gulf of Guinea Security" (CSIS: July 2005); "Crafting a U.S. Energy Policy for Africa" in *Rising U.S. Stakes in Africa: a Report of the Africa Policy Advisory Panel* (CSIS: May 2004); "Promoting Transparency in the African Oil Sector: A Report of the CSIS Task Force on Rising U.S. Energy Stakes in Africa" (CSIS: March 2004); and "Extracting Transparency," *Georgetown Journal of International Affairs* (Winter 2004).

He also served as chairman of the Global Energy and Environment Initiative at Johns Hopkins University School of Advanced International Studies (2008-2009) and a Senior Associate in the Energy Program at the Center for Strategic and International Studies (CSIS) from 2001-2009. Mr. Goldwyn was a member of Council on Foreign Relations 2007 Independent Task Force on National Security Consequences of U.S. Oil Dependency, and Council of Foreign Relations Center for Preventive Action task forces on Angola, Nigeria, Bolivia and Venezuela and Russia.

Mr. Goldwyn has taught graduate seminars at Columbia and Georgetown Universities, been a frequent commentator on NPR, CNN, the BBC, and in energy trade newspapers. He acquired extensive international business experience as an attorney with the New York law firm of Paul, Weiss, Rifkind, Wharton and Garrison from 1986 to 1991. He has been affiliated with the Ford

Foundation and the Brookings Institution. He is a Member of the Council on Foreign Relations, the District of Columbia Bar, and the New York State Bar Association. Goldwyn was the first Chairman of the Board of Global Giving, a foundation dubbed “the e-bay of international development,” dedicated to using the internet to match donors with projects in the developing world.

Mr. Goldwyn holds a B.A. in Government from Georgetown University, a Masters in Public Affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University, and a J.D. from New York University School of Law.

APPENDIX D: ANDREW NIKIFORUK ARTICLES

The Gwyn Morgan File: Rise of a Shale Gas Baron

Christy Clark picked the EnCana empire builder to guide her into power, and that says volumes about who's shaping BC's future. Part one of two.

By [Andrew Nikiforuk](#)

March 17, 2011

TheTyee.ca

"In rentier states, economic and political power is especially concentrated, the lines between public and private are very blurred, and rent-seeking as a wealth creation strategy is rampant." -- Terry Karl, Paradox of Plenty



Morgan, transition team advisor for incoming premier Clark

Gwyn Morgan's emergence as a political advisor to BC Liberal leader and premier designate Christy Clark not only reflects the province's growing dependence on shale gas revenue but her party's formidable indebtedness to petro politics.

Morgan's calculated political ascension, which should prick the interest of every British Columbian, also illustrates the growing ambition of the country's petroleum elite.

Morgan, a sort of Canadian version of former U.S. vice president Dick Cheney and a man who admires the "journalism" of former tobacco lobbyist Ezra Levant, also serves as an advisor to Prime Minister Stephen Harper.

As an ideological supporter of Alberta's *de facto* petro state (it gets 35 per cent of its revenue from hydrocarbons and has been ruled by one party for 40 years), Morgan earnestly endorses the Alberta model of resource development.

Alberta's "give-it-away" model consists of generous profits for corporations, emasculated or captured regulators (B.C.'s Oil and Gas Commission is 100 per cent funded by industry and even seconds EnCana employees for projects), paltry returns for resource owners, low taxes and a petro state crippled by disengaged citizenry with no savings for the future.

Morgan, who retired to a modest \$7-million property in North Saanich in 2006, is no stranger to B.C. politics. He not only helped build EnCana's massive holdings in unconventional gas plays in northern British Columbia (more than 3 million hectares of leased land) but also negotiated an "encouraging policy environment" with Premier Gordon Campbell's government.

This unique relationship, rarely analyzed by the press, gave both shale gas and EnCana extensive influence over the province's affairs. Natural gas now drives B.C., not wood.

Morgan, a smiling trustee of the Fraser Institute, is also a promoter of free market causes such as water exports to the United States. He says it's "one of the cleanest ways of creating new investment, jobs and deficit-reducing government revenue."

Morgan pushed integrations with US

But like many of Canada's elites, Morgan, a 65-year Albertan, remains a tight bundle of contradictions. While claiming the humblest of Horatio Alger origins, Morgan actually built his fame and fortune on the strength of public wealth bequeathed to a crown corporation (Alberta Energy Co.) where he began his oil patch career.

Although he sometimes calls himself a "budding Canadian nationalist," Morgan has pushed hard to integrate Canada more deeply into the failing U.S. empire by lobbying for the controversial Security and Prosperity Partnership. The startling plan [proposed](#) a North American Union with a single currency.

Despite a sincere and lengthy commitment to improving corporate ethics, the chairman of board of directors for SNC Lavalin, one of the world's largest engineering companies, has no difficulty [doing business](#) with a wild variety of petro dictators including Colonel Moammar Gadhafi.

Though a frequent decrier of "inhuman communist totalitarianism," the petroleum engineer also did business with China's state-owned oil company while leading EnCana, one of the continent's largest gas producers.

In fact EnCana just completed a \$5-billion dollar [deal](#) with Petro China that, if approved, will give that Chinese state-owned company more say over the pace of shale gas developments in the province than ordinary British Columbians.

Pioneer of controversial fracking method

Like many Tory petrolistas, Morgan regards bitumen as "ethical oil" even though EnCana, under Morgan's watch, had to import "unethical" foreign oil from Venezuela and Pakistan in order to dilute the heavy stuff for U.S. pipeline exports due to North American shortages. (Sadly, in the world's great oil complex, there is no such thing as a moral hydrocarbon.)

Although a generous supporter of alternative medicine, acupuncture, fitness and even Tibet's spiritual leader, the Dali Lama, Morgan has been slow to acknowledge the profound health and environmental impacts of industrial natural gas drilling or hydraulic fracturing.

Morgan's company, of course, dutifully paved the way for the controversial practice of fracking for unconventional gas. This brute force technology, which can cause local earthquakes, consists of forcefully blasting apart concrete-like rock formations with millions of gallons of water, chemicals and sand. It's now the subject of intense U.S. federal investigation, moratoriums and widespread public [concern](#) across the continent.

Despite Morgan's devotion to good healthy living, his aggressive "resource plays" often left an unhealthy legacy of air pollution, endangered wildlife, fractured communities and water contamination throughout the rural North American west. Since his departure in 2006, the company continues to make uncomfortable headlines about sour gas leaks, bombing campaigns and water pollution in [places](#) like Dawson Creek, B.C. and Pavillion, Wyoming.

The farm boy

By his own account the energy czar began life as a central Alberta farm boy who milked the cows and collected the eggs “without cajoling.” His Welsh parents taught him an honorable code: “Keep your word. Stay honest. Do your best. If the world deals you a tough blow, buck up and move on.”

After completing a degree in petroleum engineering, the short, bespectacled Morgan eventually joined the brand new Alberta Energy Company (AEC) in 1975. Premier Peter Lougheed created the novel crown corporation in order to keep an eye on U.S. multinationals and to give ordinary Albertans a chance to invest in the industry. The province owned half the company and even Morgan sold shares to citizens.

But Morgan’s selective accounts of his own success or that of EnCana’s give little credit to the crown corporation.

“Exactly half of my life was dedicated to building the company which became known as EnCana Corporation,” goes one 2007 [speech](#).

“That quest began in 1975, when a small group came together to issue our first shares -- and a 29-year-old engineer took some of those funds and had the wells drilled which generated our first revenue. Two decades later, that not-so-young-anymore engineer was CEO of a much bigger enterprise, and in 2002, he led what was Canada’s largest ever merger. The new company was called EnCana, a name that my wife, Pat, and I came up with while cross-country skiing in the mountains just before the announcement.”

Yet Lougheed gave the Alberta Energy Company some of the best natural gas and oil resources in the province, including the Suffield natural gas field, heavy oil in Cold Lake, oil sands properties and other riches. AEC was a no-fail company and everyone in the industry knows it. It could have been Alberta’s version of Statoil, the prosperous Norwegian firm.

“AEC was given so many valuable properties it couldn’t miss. It was a cash cow from day one,” acknowledged Rowland McFarlane, a former Lougheed aide, several years ago.

The company, of course, flourished. But Premier Ralph Klein, a visionless petro politician and alcoholic with troubling debts, sold off the prosperous crown company in 1993 to balance the provincial books.

Without so much as a public evaluation of the company’s true net value, Klein gave away the province’s remaining shares for less than \$500 million. Tory politicians, who were permitted to own shares in the company, profited handsomely.

Just five years later the company was earning \$2 billion a year and was worth more than \$6 billion in the market place.

The improbable Ludwig

After slowly rising through the ranks at AEC, Morgan inherited the company’s rich public asset base when he became CEO in 1994. Thanks to Klein’s low royalties (among the lowest in North

America) as well as limited regulations, AEC become one of the country's 10 largest gas producers. Klein and Morgan talked regularly.

Under Morgan's direct and entrepreneurial leadership, the company sold off all non-oil and gas assets and adopted Gumby as a corporate symbol. Every employee even got a Gumby figure to play with. Morgan, who then cited Adam Smith as one of his favorite authors, admired Gumby because of his elasticity and adaptability.

But a massive drilling boom in northeastern Alberta's sour gas fields pitted the elastic CEO against an immovable adversary and a man as socially conservative as Morgan.

That combative individual was Wiebo Ludwig, the son of a Dutch resistance fighter. When the rapid development of sour gas fields near Hythe, Alberta threatened Ludwig's children and livestock, the fundamentalist Christian preacher first protested by writing civil letters. For several years he even begged officials to intervene.

After AEC proposed to drill on Ludwig's farm in 1996, the landowner, already unnerved by series of sour gas leaks (the gas can be as poisonous as cyanide), openly declared war on the company and its many contractors.

As documented in *Saboteurs*, the violent struggle (and clash of egos) between Ludwig's family and Morgan's company had no precedent in North America. It ultimately involved drive-by-shootings, bombings, death threats and more than \$10 million worth of industrial sabotage or monkey wrenching.

Even after AEC quietly hired a small army of security guards led by retired RCMP officers, the industrial sabotage against oil and pipeline facilities persisted on a boggling scale.

In attempt to end the mayhem and protect his employees, Morgan privately met with Ludwig on Jan. 15, 1998 at Edmonton's Mayfield Inn. Dressed in black, the jaunty executive brought along two burly bodyguards. Ludwig was accompanied with his wife and family friends, the Boonstras.

Neither man really blinked. In Ludwig's account (the family recorded the encounter) Morgan told the saboteur that, "we will act in whatever way to defend ourselves and use all possible components to deal with that."

Ludwig's wife, Mamie then said, "And I will do everything in my power to keep my kids safe." Ludwig then asked Morgan, "Who is the provocateur?"

"Yes", Mamie interjected, "Who is provoking who?"

Morgan replied, "There's no doubt, definitely not you" and added, "We are the provocateurs!"

The two adversaries even debated climate change. Morgan argued that if Canada reduced emissions, someone else would produce more.

Ludwig disagreed. "I've been in homes where you could hardly walk, the floors were strewn with boxes, loaves of bread, clothes. I don't then go home and say to my wife: 'Oh, honey, don't worry

about cleaning our home. I was just over to the neighbours' and their place is such a mess -- why should you bother to clean?"

At the end of the meeting Morgan promised to address a number of concerns including flaring, the burning of waste gas upwind from homeowners. He also said he would cancel an alarming lawsuit against the entire Ludwig family including a seven year old child. The CEO kept his word.

Sour gas and public relations

But the temporary peace didn't last long. Hostilities soon resumed and eventually resulted in one of the largest and most expensive RCMP investigations in Canadian history. Morgan even supported a police bombing of an EnCana facility in attempt to entrap Ludwig. The bombing terrified the local community and heightened tensions. Morgan later admitted that he was "consciously less than straight up" about the company's involvement.

In the end just about everyone behaved badly in the debacle including Ludwig, the police, regulators and several natural gas companies. To this day the shooting of 16-year old girl on Ludwig's farm remains unresolved. Ludwig eventually served two thirds of a 28-month jail sentence for vandalizing and bombing oil wells. (My account of this unbelievable Canadian story took three years of research and hundreds of interviews.)

Oddly enough neither Ludwig nor Morgan cared much for the content of *Saboteurs*. (AEC refused to let any company employees speak about the war and later requested that they not read the book. But most gave it a thumbs-up for accuracy.) Morgan then commissioned Calgary journalist Sidney Sharpe to write an EnCana version of events.

Oil patch workers, however, generally dismissed *A Patch of Green: Canada's Oil Patch Makes Peace with the Environment as industry propaganda*.

One former EnCana employee called it dishonest if not "mediocre marketing fluff." He noted that environmental issues have never been a priority for the industry. "Nothing is done unless it either makes money or it is forced by a regulator. Canada has lower safety standards in regards to sour gas (H₂S) and environmental pollution than the U.S., and it shows. Regulation of the industry here in Alberta is a joke."

The Gwyn Morgan File: EnCana's Grip on BC

How Christy Clark's advisor steered his Alberta petro giant to become the most powerful corporation in this province. Second of two.

By [Andrew Nikiforuk](#)

March 18, 2011

TheTyee.ca

After the Ludwig affair, Morgan continued with his quest to make AEC bigger and better. He also ventured into Ecuador's contentious oil fields because he felt that oil development might lift that country out of poverty. Morgan even vowed, as engineers frequently do, to "leave the environment in Ecuador in better shape than we found it."

But EnCana's pipeline venture ended with allegations of corruption, kidnappings, restless natives and environmental degradation. In the end, Morgan sold the whole venture to a consortium of Chinese energy companies including Petro China for \$1.4-billion. An insightful documentary by Nadja Drost called *Between Midnight and the Rooster's Crow* documents the company's [ethical dilemmas](#) in the rainforest.

Undaunted, Morgan bucked up, moved on and quested for bigger deals. In 2002, AEC merged with Pan Canadian Resources to form the continent's second largest gas drilling company, EnCana. The \$21-billion merger, the largest in Canadian energy history, gave Morgan's company access to 3 million acres of free-hold land previously owned by the Canadian Pacific Railway. As a result EnCana pays no royalties to the crown on oil or gas collected on this Alberta landscape.

The new mega-firm opened the door to a different approach to gas drilling or what Morgan called "resource plays." It involved the use of hydraulic fracturing and horizontal drilling for extreme gas wells but on an industrial scale. That meant drilling wells just five acres apart while pumping massive amounts of chemicals, sand and water into deep shale rock or shallow coal seams to release small pockets of methane. Some industry folk called it "carpet bombing."

The brazen intensity of EnCana's industrial drilling methods (bigger is never greener) dramatically increased natural gas reserves and drove down the price of natural gas. It also overwhelmed regulators and unsettled rural communities from Sublette County, Wyoming to Dawson Creek, British Columbia.

But all the carpet-bombing made EnCana an energy powerhouse. In 2004, EnCana bought out Tom Brown, a U.S. gas firm with close ties to George W. Bush, the petro politician from Texas. The deal allowed EnCana to take advantage of \$14-billion in tax relief to energy companies made by the oil friendly Bush/Cheney administration.

"We haven't just gotten bigger, we believe we've gotten better through unconventional thinking," boasted Morgan at the time.

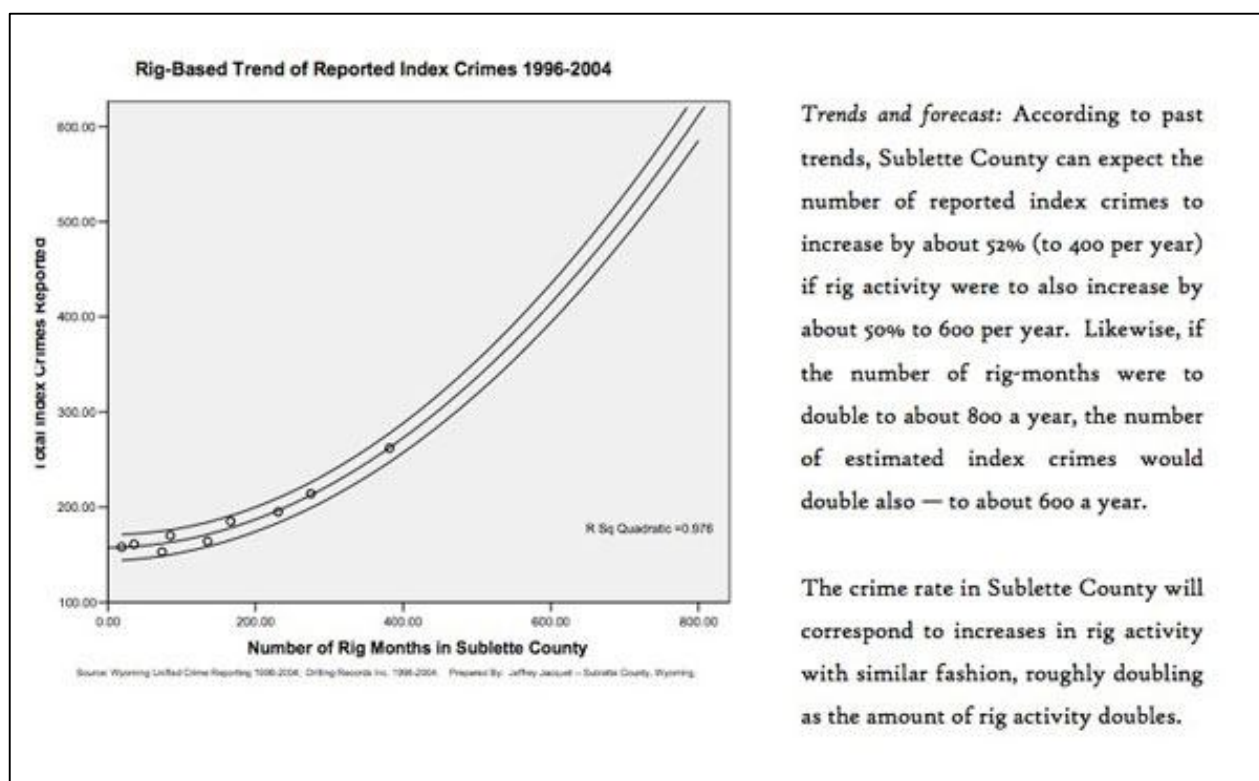
EnCana's rocky record in the Rockies

But the scale of the company's hardheaded drilling campaign generated unconventional trouble throughout the Rocky Mountain west.

In northwestern Colorado's Garfield County, Morgan's obtrusive drilling campaigns provoked a community political uprising, lawsuits, public health investigations and regulatory reforms.

After the region experienced a 39 per cent increase in drilling, the Colorado School of Public Health [warned](#) in 2008 that local residents could be exposed to "air pollutants, toxic chemicals, metals, radiation, noise and light pollution" resulting in illnesses, health problems including psychological and social disruption."

Related studies found that Morgan's drilling booms came with an invasion of itinerant fracking crews that unsettled the quality of social life. EnCana's resource play in Garfield, for example, increased the hospitalization rate for children for respiratory diseases; multiplied alcohol and drug disorders and catapulted violent crimes rates from 8.5 to 19.7 per 10,000 residents. Drug violations also doubled.



EnCana's intense fracking operations, for example, [turned](#) Laura Amos's water well into a fizzing and foaming geyser and then transformed the outfitter into an environmental crusader. Other residents [documented](#) repeated infractions and pressed for stronger regulations.

Toxic air pollution from the company's natural gas storage tanks grew so bad that the state ordered the firm to build a \$407,000 air pollution control system for the region.

In 2004, Colorado's timid Oil and Gas Commission also fined the company then a record amount (\$371,200) for a poor concrete job that resulted in methane and benzene seeping into a creek south of Silt, Colorado. A \$300,000 state [investigation](#) into the contamination is still ongoing.

Appalled by the pace and scale of drilling, many landowners in Garfield often negotiated with the company with a copy of *Saboteurs* on their kitchen table. [*Saboteurs* is Andrew Nikiforuk's book on Wiebo Ludwig's attacks on EnCana sour gas producing wells. -- Editor]

Morgan's lectures on morality

In southern Alberta, a rapid shallow gas drilling program combined repeated wildlife violations on the Suffield military base forced Lt. Col. Dan Drew, like Wiebo Ludwig, to [draw a line in the sand](#). Mandated to protect the Suffield National Wildlife Area, a special grassland reserve located within the base, Drew confronted the company and wrote scores of angry letters to National Defense noting that "the scale of oil and gas activity continues to expand promising to further aggravate the situation."

In central Alberta's farm belt between Calgary and Edmonton, EnCana drilled thousands of shallow wells for methane trapped in coal seams and upset dozens of landowner groups. But whenever a major fracking problem or water contamination incident hit the news, the company quickly made donations to local recreation centres or scholarship funds.

EnCana also left its aggressive calling card in Wyoming. In a remarkable [piece](#) for the New Yorker magazine titled "Boomtown Blues," the journalist Alexandra Fuller described the company's destructive social impact in the ranching community of Sublette County in unsparing detail. With every EnCana rig invasion came a surge in transient workers, crime, crystal meth and over-booked jails, wrote Fuller:

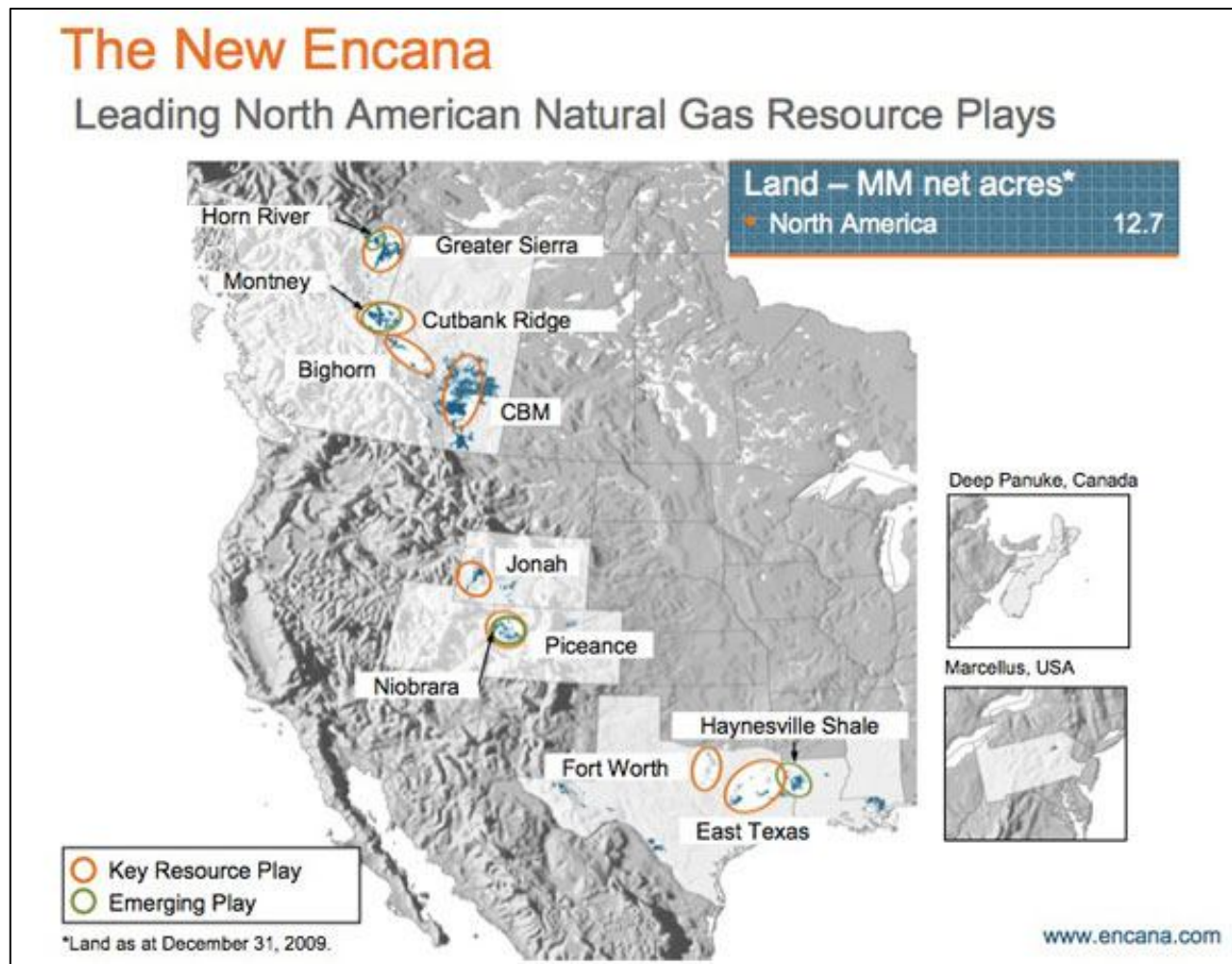
"The [study](#) shows the crime rate rising by 30 per cent from 2004 to 2005, a period when drilling activity increased by fifteen per cent. Air quality and the quality of life in the area have also been affected. Drilling has recently increased in the Wyoming Range and the surrounding foothills, and the steady flow of air traffic (helicopter relays to transport equipment to remote areas), the use of explosives for seismic work, and the constant rumble of trucks carrying helmet-clad men across the desert all reinforce the sense that this boom is, in part, war-related."

EnCana, which even considered hiring Chinese companies to operate its drilling rigs to cut costs, left a mess in Pavillion, Wyoming, too. Before EnCana arrived, rancher and Vietnam War veteran Louis Meeks had clean water to drink. After EnCana drilled 500 feet from his home and water well, Meeks was left with a methane-rich [turbid mess](#).

The more questions Meeks asked about well contamination in his community, the more EnCana treated him like a trouble maker: "Don't you want the country to be able to produce energy?" the company asked. "Do you want to live naked in a tree and eat nuts without any modern conveniences?"

Meeks, who has been battling the company ever since, maintains that natural gas companies can drill responsibly, make money and still protect groundwater. A 2010 study by the U.S.

Environmental Protection Agency [found](#) “total petroleum hydrocarbons” in 17 of 19 drinking wells in Meeks’ neighborhood.



Morgan, who rarely references the social or groundwater issues raised by unconventional gas drilling, now gives [speeches](#) about ethics to the Governor General’s Canadian Leadership Conference. U.S. landowners might be inspired by Morgan’s advice:

“Communities which tolerate dishonesty and unfair play will produce workers and leaders who reflect such cultural values. The much more desirable corollary of that is also true.”

EnCana’s grip on BC’s economy

While EnCana industrialized rural Colorado and Wyoming, Morgan’s company also invaded Peace River Country in pursuit of sour gas and shale gas deposits.

Although Morgan boasts “a strong bias against government intrusion into any industry,” he championed Gordon Campbell’s heavy subsidization of natural gas drilling in the province or what Morgan dubbed “an encouraging policy environment.” It included “streamlined” regulations; low royalty programs for shale gas as well the public construction of roads and infrastructure for shale

gas companies. “From EnCana’s perspective, many of the right things are being done by the province,” [said](#) Morgan in a 2004 speech.

A year later Morgan bluntly [laid out](#) the company’s extraordinary grip on the province’s economy:

“EnCana is the largest corporate source of revenues to the government in B.C. and we have been for a number of years. As a whole, our industry is responsible for close to \$2 billion a year in revenues for the government -- that’s just royalties and land sales. It doesn’t include the income tax from the 12,000 people working in the industry here. The total impact is something like \$12 billion a year. That’s enormous -- bigger than any other industry in the province including, of course, forest products.”

But EnCana’s frantic drilling agenda caused much grief in B.C., too. While drilling the Montney formation, for example, the company often fracked each well five to 11 times with up to 100 tonnes of fracking fluid each time. The process turned quiet rural roads into industrial zones clogged with hundreds of fracking trucks. Farmers and ranchers complained about the heavy traffic, sour gas leaks, air pollution, property devaluation, livestock deaths and the industrialization of rural life.

A 2006 B.C. study by the region’s medical health officer simply noted, just like the Colorado School of Public Health, that “Rapid growth of the oil and gas industry within the province of British Columbia has outpaced our understanding of possible health and safety impacts on communities.”

Unlike many U.S. states and Quebec, British Columbia has yet to demand a systematic review on the impact of shale gas drilling on water, wildlife, public health, provincial revenue, energy returns, First Nations or the ecology of Northern B.C.

Gwyn Morgan, petro politician

After being crowned “outstanding CEO” and “Canada’s most respected CEO,” in 2005, Morgan left the company that he spent 30 years building. He then began a cliché-ridden business column for the Globe and Mail that extols corporate freedom and low royalties for resource owners. He also tried on some political shoes.

But a series of speeches to the Fraser Institute and Empire Club of Canada which criticized ethnic groups, multiculturalism, climate change and the federal Liberal party offended a lot of oil patchers. Many considered Morgan’s comments to be self-serving or crudely partisan. Others thought Morgan had stepped out of his area of expertise into the stormy world of politics with little grace. (Morgan’s Tory views represent but a third of the people working in the patch.)

Investors also took a great disliking to the executive when he supported Stephen Harper’s “Halloween Massacre,” an unexpected change in tax rules for income trusts that coolly wiped out \$35-billion worth of capital. The sudden move left a lot of puzzled EnCana investors (40 per cent of the company was gearing up to become a trust). It also resulted in many B.C. pensioners with smaller savings accounts.

Even with his impressive Tory connections, Morgan stumbled in the political arena. After Prime Minister Stephen Harper nominated the “outstanding Canadian” to head the new Public Appointments Commission in Ottawa, parliamentarians summarily dismissed “the outstanding

CEO” as an “unsuitable” candidate. The MPs mostly did so on the basis of Morgan’s highly partisan speechifying or political incorrectness.

But the haughty parliamentarians missed the critical issue. Was it ethical or correct for the former head of the continent’s second largest gas company to be making decisions about appointments to government agencies such as the National Energy Board. Or to do so for only a dollar a year? If the Canadian people weren’t paying for Morgan’s services, then who was?

The key questions, the ones that mattered, never got asked.

Today, of course, Morgan has emerged as the helpful adviser and financial backer of B.C.’s Premier Christy Clark. One of Morgan’s favorite “truisms” goes like this: “Most people get the leadership they deserve.”

British Columbians might want to ponder that Morganism along with the slow “petrolization” of their politics fueled by unconventional gas.

APPENDIX E: LANDMAN-GATE

The following is a transcription by this report's author of a pdf document posted on the internet by the State of Ohio Greene County Environmental Coalition, which had been given the original by Miami Township resident Laura Skidmore in April 2011. That original five page document, with "proprietary do not disclose" headers, was found inside a binder that had been accidentally dropped by someone,

assumedly a petroleum landman agent, near Skidmore's house. There have been a few news stories published in 2011 on this incident, the first of which appeared on April 28, 2011 in Ohio's Yellow Springs News, *File Implicates Gas Industry*, with later follow-up stories in August 2011.



Talking Points for Selling Oil and Gas Lease Rights:

As we (illegible: posture? or position?) to move into the greater Ohio market, it is critical that Field Agents have a consistent selling plan for that market. The following points will outline our answers to commonly asked questions, including what to talk about and what topics to avoid. Oil and Gas exploration and drilling is meeting increasing resistance from local community groups, so it is essential to contact land holders and acquire signatures before sentiment by environmental and other public organizations limits our ability to obtain access to private land for oil and gas development. Remember, if at all possible try not to deliberately mislead the landowner, that only makes our position harder to defend at a later date. It is in our best interest to present our side of the issue in a manner that makes it more attractive. Do not discuss the detracting points of view in a manner that gives them any credibility. Don't feel that you have to discuss every point and question. Do not argue when you cannot win. Successful field agents understand what points to focus on so the benefits outweigh the cons.

1. Know your demographics!

- We have paid for an analysis of Ohio and the people. Use that data.
 - i. Ohio is a conservative leaning, Mid-west state. The typical Ohio resident will welcome you into their home and allow you to speak. This is critical. Face to Face interaction can make the difference. Most mid-west Americans dislike confrontation. Even if they disagree on a selling point, they are unlikely to confront you over it. Therefore it is critical to obtain a lease signature in the first meeting, or at least the agreement to sign and take the lease to a notary. Drive them to the notary if you have to. If they have time to think it over, they are more likely to decline the offer.
- Provide the overall position of the nation.
 - i. Most landowners will be patriotic Americans, and will desire to free our nation from foreign oil dependence. Make certain you lead with this selling point. CHINA bought more oil than the United States last year. Fear of foreign encroachment is the biggest

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asset we have in selling our development strategy. Our analysis of Ohio shows that even the most liberal landowners will agree on this point. ALWAYS start your conversation with a new potential signee on a point that they will agree with. This is pure psychology. They will be more likely to let you stay and talk. Studies show the longer you talk, the more chance we have of signing.

ii. At any point in the pitch if talk turns to local issues, environmental hazards, etc. . . a good way to re-direct the conversation is to re-engage over the nation's energy needs and the desire to be oil self-reliant. Come back to the mutually agreed upon point about freeing the nation. CHINA bought more oil than the United States last year!

- Talk about our business
 - i. We are a small business, working closely with state governments when we set up wells. More educated landowners may know that we often sell our land leases to larger corporations. While this is often true, we do not always sell our interests. So it is reasonable to say that we plan all development in Ohio without partners. Future plans do not need to be fully disclosed, and they may evolve as we do exploratory drilling.
- Hydraulic Fracturing, “Fracing” - This technique to develop gas resources is coming under scrutiny, both in the mains- media with articles appearing in the New York Times, and even in Hollywood with the movie “Gasland”. Expect questions on this topic and be ready to diffuse Land owner concerns.
- Stress to the landowner that we are primarily looking for oil resources. Searching for oil is less environmentally damaging than the claims against fracing. Oil exploration has been conducted for centuries, and is safe and effective. Do not deny that gas exploration may be possible, but do not emphasize it. Distance our selling position from the movie Gasland. We do not want landowners linking that image with our development plans.
- Most landowners will not know the difference between hydraulic fracturing and the process of Slick Water Hydraulic Fracturing. Use that to your advantage. Most wells in southern Ohio were drilled and then hydraulically fractured to make a viable source of water. Tell them that. Fracing is safe! There is nothing unsafe about the fracing process, if there was, it would never have been used in their wells. If anyone knows about slick water fracturing, avoid the topic. Do not discuss the chemicals and other material used during slick water fracturing. The best strategy is to state that the chemical mixtures used are proprietary and are highly diluted with water when injected. Reassure landowners that no well contamination has ever been documented. Do not mention water contamination in Pennsylvania. We do not want to associate ourselves with potential ground water issues. Stress to the landowner that we will use cement and steel casings to protect the aquifer. Leave your answers vague if they bring up Pennsylvania. Tell landowners that the Pennsylvania Department of Environmental Protection issues new drilling permits every year. They would not do so if the process were unsafe.

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- Clean Air and Water Act - Activists have begun using the exemption of the Oil and Gas companies from the Federal Clean Air and Water Act against our industry. While this point is true for the exploration of natural gas, once again stress that we are searching for oil. Draw those lines clearly. Do not get into a debate about the law and environmental protection. State that our company has a good track record, and we follow all environmental rules and regulations set forward by the state of Ohio. It is Ohio that permits the drilling, not the federal government. Federal law has no bearing on our development. Less government interference is better. Mid-west Americans tend to agree with the proposition that less regulation would be better. ObamaCare is a great example, but watch your audience. Check for political bumper stickers as you approach the house.
- Marcellus vs. Utica Shale - Utica Shale covers the southern Ohio region that we are targeting. One strategy to defeat the issues on fracking is to discuss the differences between Marcellus and Utica Shale. Tell landowners that fracking is used in the Marcellus shale for natural gas. We are searching for oil in the Limestone and Dolomite rock formations. They will hear the distinction. While it is true that we will be able to evaluate the well in the shale layer for suitability for fracking and gas development, stress the initial hope of finding oil. Any distinction may be enough to finalize the lease.

2. Truck Traffic - There will be extra traffic, but stress that we do everything to keep it to a minimum. Some activist groups use traffic as a talking point. Just tell landowners the more trucks, the more royalties. Money will normally deflect most arguments. Return to the nation's energy needs if you need to.

3. Noise - Another argument against drilling is noise. Do not deny that the initial setup can be noisy, like building a home nearby. No one objects to new homes under construction. Say that the noisy portion of the operation is upfront and over quickly compared to the entire operation. This part of the process can take up to a year, but do not emphasize overall time. The well may last for 40 years, so one year of noise is not bad. If pressed for details tell them we monitor noise to ensure it is approximately 80 db at 200 feet. They will likely not understand the details, and will not admit that the technical data means little to them. Do not compare it to anything tangible, like train noise or airplane noise. Stick with the numbers, they provide the truth but make it hard to understand the exact implication.

4. Well Pad Size - Many people ask about their land and how much will be used. During the initial drilling, pad sizes of approximately 20 acres are necessary. After drilling and fracturing, the well will be on a land size of approximately 5 acres. Stress the five acres. Do not talk about the initial setup unless absolutely pushed on details and timeline for the drilling. After the lease is signed we will be able to deal with landowner concerns.

5. Well Spacing - This rarely comes up. Landowners do not realize that multiple wells will be necessary. Wells are most effective if spaced 40 acres or further apart. This sounds like a large number, use it. Some might ask how many wells will be in a square mile. Don't answer that question. Most landowners will not realize that 10-20 wells can be placed in a square mile. Landowners normally own less than 5 acres, unless it is a farm. 40 acres will be a large enough number that wells will seem to be far apart in their mind.

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6. Lease Life - Our leases are for 5 years with small plots of land or 3 years with an option to renew for 2 years on larger land tracts. If the landowner has brought the lease to an attorney they may know that if the well continues to produce that the lease is extended for the lifetime of the well, which can be as high as 40 years. Do not deny if pressed on this issue. This extension does not require their approval. If we have an active well then it is within our legal right to continue development until we turn it off. Stress the 5 year lease unless absolutely pushed on the details.

7. Water Usage -This is a question normally asked by farmers. See the Talking Points for Agricultural Land paper to address those specific concerns. Residential owners will not know that we pull water directly from the local aquifer.

8. Radioactivity - Reports have shown that fracing and other oil/gas exploration techniques have increased radioactivity in the groundwater. This is caused by releasing naturally occurring radon from the ground into the aquifer. ENSURE you tell the landowner that we use NO RADIOACTIVE materials. The radioactivity comes from natural sources in the ground and is released by the process, but don't tell them this. Most landowners will not know. Tell them we are RADIOACTIVE FREE, and that should alleviate those fears. If pressed, tell them it is natural radiation that is always there, we will not increase it by adding anything.

9. Property values - Multiple studies have shown that property values decrease for land with oil and gas leases on the property. Avoid this topic. Some major banks have stopped issuing mortgages on properties with leases for mineral and oil/gas rights, including Wells Fargo, Bank of America, and other large financial institutions. This is a no-win discussion point. If backed into this issue, talk about the potential revenues and the overall needs of the nation. China bought more oil than the United States last year!

10. Enhanced Oil Recovery - The overall plan is to drill exploratory wells, and then use more advanced techniques to get at the small oil pockets we find. This will require multiple well heads, where we pump in high volume of water and chemicals, much the same manner as in the fracing process. DO NOT DISCUSS this point. We want no correlation between fracing and enhanced oil recovery processes. We do not want landowners aware that we may have to drill many well heads in a single area. After we have the leases signed we have the freedom to use the land as we see fit. If needed we can even write leases with "No Fracing" positions, and even with these lease modifications we can legally drill multiple wells and insert high pressure "extractants".

11. Lease Term - This is another area of concern that you can alleviate with the right wording. The lease is for 5 years. Sometimes landowners will read the lease before signing and realize that the lease - renews automatically if any oil/gas are produced from the well. Do not stress this point. Just state that the lease is for 5 years. They don't need to know, or discover through discussions with us, that the lease can extend indefinitely with no further permission from the landowner.

12. Get the lease signed!

- This is the most important part of the overall development plan. Signed leases will allow us to re-parcel the land as needed to receive minimum acreage under Ohio law. Even small parcels are important. A resident with a 1/2 (half) acre plot can make the difference with the

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state oversight board to allow drilling. The state does not have to allow drilling even if the unit has 65% or more of the acreage. Sometimes the board will look at overall numbers of residents, and if the majority are against drilling then they reject permits for fear of local backlash. This is an acreage as well as overall number of people game. Get the lease signed.

- Men are more likely to sign than women. Men don't like to believe that you know more than they do, so they are also less likely to ask questions. In the state of Ohio the husband can
- sign the lease without spousal permission. Go that route if required. Tell them it is their decision. Write the lease agreement with only the husband's name on the paperwork. This will make it more likely that they will sign alone. Men are also more conservative, and more likely to want oil and energy independence. Women will have more concern for the environment and will challenge you more often. Knowing who to approach can seal the sale.
- If a landowner is undecided, there are several ways to offer incentives.
 - i. Offer a slight increase in the initial lease payment. Even a \$50 increase may be enough to sway the decision. Tell them it is to cover the Notary Public costs. That way you are making a concession without caving and getting into a negotiation. Mid-west Americans appreciate feeling valued. This will work in your favor.
 - ii. Tell the landowner that all their neighbors have signed. Even if the neighbors have not, this often will push an undecided landowner in favor of signing. Remember, the first visit is the most crucial. They will not know if their neighbors have signed, and even if they do they will want to sign so they do not lose out on the potential. Once they have signed, then you can show those leases to undecided neighbors for added pressure.
 - iii. As a very last resort, you may offer the amended lease with the clause that no slick water hydraulic fracturing will be used. This limits our future options, but once we carry out initial drilling and testing, we will know the viability of gas extraction from the Utica shale layer. At that time we can re-approach holders of the modified leases and offer incentives to allow slick water hydraulic Fracturing. The most important thing is to obtain the signed lease. modifications can be made later if necessary. A signed lease is often enough to leverage a modification at a later date.

APPENDIX F: Andrew Nikiforuk, 2006 - Fire Water and Dr. Muehlenbachs

Fire water

By Andrew Nikiforuk
August 14, 2006
Canadian Business Magazine

Jessica Ernst is a combative Alberta businesswoman with an unusual problem: she can set her tap water on fire. No kidding. After filling up a plastic pop bottle, the owner of Ernst Environmental Services, a well-respected oilpatch consulting company, can light a match and create a blue or yellow flame, complete with a rocket-like roar. Ever since she made the explosive discovery last November, the environmental-impact scientist has been asking a lot of questions about aggressive shallow-gas developments in booming Alberta.

Ernst now finds herself at the centre of a major resource controversy, as well as something of a folk hero. “She has been a lightning rod for rural Albertans, as well as a source of credible information,” says Liberal environment critic, David Swann. Ernst has not only forced major groundwater investigations, but also prompted Alberta’s leading oil-and-gas regulator, the Energy and Utilities Board (EUB), to temporarily suspend contact with her for alleged security reasons. The board’s legal counsel, Rick McKee, now endearingly refers to her as a “pain in the butt.”

The shy 49-year-old oilpatch consultant says that the ongoing controversy has been a very unwelcome experience. “I’d rather be running my business in peace,” explains Ernst, who frequently works with major oil and gas firms and First Nations on northern wildlife issues. “But I had no choice. The regulators just didn’t do their due diligence.”

Her tale began in 2003 with the rapid development of coal-bed methane (CBM) in the Horseshoe Canyon formation, in central Alberta. CBM is an unconventional resource (the oilsands of natural gas) that requires more drilling and pipelines to develop than does old-fashioned natural gas. “It is a low-volume, high-capital-cost resource that tells you something about the maturity of the Western Canadian Sedimentary Basin,” says Calgary-based Scotia Capital oil-and-gas analyst Peter Doig. “We are getting to the bottom of the natural-gas barrel.”

Unlike conventional gas, CBM often sits in shallow coal seams, where much of the province’s groundwater is located. (In fact, nearly 650,000 Albertans get their drinking water from aquifers.) As a “tight” or uncooperative gas, CBM also requires extensive hydraulic fracturing (“fracing”) to get it flowing. Fracing uses massive volumes of fluids or gases to open up the formation to release more gas. Extensive CBM developments have sparked numerous groundwater controversies in the United States, where the resource now accounts for 9% of that nation’s gas supply.

Alberta’s industry claimed that the Canadian experience would be much different — and that the drilling of 50,000 CBM wells in the Horseshoe Canyon, over a 20-year period, would be well regulated. A groundwater workshop organized by the Canadian Council of Ministers of the Environment came to different conclusions. In 2002, as CBM companies arrived in Ernst’s backyard, researchers at the conference issued a prescient warning to industry, government and landowners alike. Given that the resource lies near aquifers or requires the removal of water in order to be produced, their report concluded that CBM development shouldn’t take place “without adequate baseline groundwater knowledge.”

Ernst actually asked for that baseline data, but it was never provided. As a consequence, her water nightmare began, in 2003, when EnCana Corp. started an extensive CBM drilling program around the hamlet of Rosebud, just an hour’s drive northeast of Calgary. First her water taps started to whirr and hiss. “I thought I

was having plumbing problems,” Ernst recalls. But then, she got distracted by another impact of CBM drilling. When the roaring noise of a nearby compressor station, operated by EnCana, began to disturb her, Ernst spent several months trying to get the company and the EUB to muffle it. (CBM gas has little pressure and needs to be vacuumed up with a network of compressor stations.)

Meanwhile, Ernst says, she thinks her water quality steadily declined. By the spring of 2005, even her two dogs refused to drink it. Whenever she bathed, she says, she got a bad skin burn “that felt like frostbite.” She adds that she found strange materials in her water filters. After observing thick white smoke coming off the water one day, Ernst decided to fill up a plastic bottle and conduct an experiment. She waited five minutes and then put a match to it. “It blew like a rocket and melted the plastic container,” she recalls. “I was in shock.”

Private lab tests ordered and paid for by Ernst later revealed 44,800 parts per million of methane or 29.4 milligrams per litre. The United States Geological Survey considers anything above 28 milligrams per litre a dangerous public-health concern.

Ernst, however, couldn’t report the matter to the EUB because it had just instructed its staff “to avoid any further contact” with her, on Nov. 24, 2005. The banishment arose from Ernst’s efforts to secure reliable sound tests on the noisy compressor stations. After documenting two noise studies Ernst alleges were faulty (she says the microphones weren’t properly placed, while the EUB contends the studies were done by a “reputable and independent” firm and that it offered to redo them at a time of her choosing with mics wherever she wanted), she fired off an e-mail to landowners, warning them that the regulator was planning to weaken its noise controls. The letter ended with a one-liner: “Someone said to me the other day: ‘You know, I am beginning to think the only way is the Wiebo Way’.” Wiebo Ludwig, an evangelical cleric, began a \$10-million vandalism campaign against the oil and gas industry, in the late 1990s, after sour gas allegedly poisoned members of his family.

Ernst, who doesn’t own a gun and is dutifully employed by the oilpatch, was dumbfounded by the EUB’s action and to this day calls it “intimidation.” Davis Sheremata, an EUB spokesman, explains that “the decision to temporarily suspend contact with Ms. Ernst was unprecedented within the EUB and was done in response to a threat that was made involving our staff. Threats against our staff won’t be tolerated.” Ernst immediately dashed off a letter asking how a comment about Ludwig in a publicly circulated e-mail could be deemed “a criminal threat” to anyone. But it was returned unopened.

Ernst, however, wasn’t the only resident of Alberta’s booming CBM fields experiencing problems. A neighbour, Fiona Lauridsen, noted fizzing bubbles in well water, among other surprises. “The whole family suffered severe skin irritation in the shower on Christmas Eve,” she says. Lab tests revealed levels of methane as high as 66 milligrams per litre. “It was an astonishing level,” says Lauridsen.

In late January, even the EUB quietly acknowledged problems with shallow CBM drilling and fracing. The regulator’s Directive 027 banned any further fracing at less than 200 metres in depth without fully assessing all potential impacts first, to protect nearby water wells. It added that “there may not always be a complete understanding of fracture propagation at shallow depths and that programs are not always subject to rigorous engineering design.”

In late February, Ernst, Lauridsen and Dale Zimmerman, a farmer in Wetaskiwin, Alta., went public with their burning water at the provincial legislature, because, as Ernst put it, “I wasn’t getting any calls from the regulator.” The revelations sparked immediate action from Premier Ralph Klein and Environment Minister Guy Boutilier. “Whatever is necessary to be done will be done,” said Klein. The issue also made big headlines in rural Alberta. At one public meeting about CBM in the farming community of Trochu, a two-hour drive northeast of Calgary, Ernst received a standing ovation from 600 concerned farmers after giving a presentation on natural-gas contamination in water.

In March, representatives of Alberta Environment finally showed up at Ernst's residence to do some testing. Within weeks of that work, the government replaced her well water with truck deliveries. She asked for the government's written protocol for gas sampling in water but says it took her four months to get it.

At the same time, both industry and government emphasized that methane naturally occurred in the province's groundwater. Alberta Environment noted that 906 water wells in the province had gas "assumed to be methane" in their water, and that nearly 26,000 water wells had coal seams present. That revelation merely alarmed Ernst. "It was all the more reason to do baseline testing before they drilled," she says. "They knew. All the companies should have tested for dissolved methane and gas composition."

Many of Ernst's clients in the oilpatch also started to pass on what she viewed as disturbing information by the Canadian Association of Petroleum Producers and other sources about the scale of natural-gas contamination in groundwater in the province. Even a 2003 article in the *Oilfield Review*, a quarterly technical journal, noted poor gas-well construction combined with faulty cement casing routinely resulted in "leaks of gas into zones that would otherwise not be gas-bearing." It added that gas migration occurs everywhere — in "shallow gas wells in southern Alberta, heavy oil producers in eastern Alberta and deep gas wells in the foothills of the Rocky Mountains." An industry newsletter, *GasTIPS*, reported one Alberta study even found that 57% of wells drilled between a depth between 1,900 and 5,900 feet "develop leaks after the primary cement job."

Maurice Dusseault, a B.C.-based civil engineer, gas migration expert with 28 years experience in the field and the author of some 400 articles on petroleum-related subjects, confirms that the seepage of natural gas from poorly cased oil and gas wells into groundwater is a well-documented problem. "We haven't been good stewards of our groundwater near gas wells," he says. "I don't blame the companies. I feel the EUB and other provincial regulatory agencies have been lax in protecting groundwater and in enforcement." The EUB, however, insists it "is extremely stringent in its enforcement of gas migration," and that cases of groundwater contamination are rare.

After doing more research, Ernst learned that isotopic fingerprinting was the only definitive way to investigate suspected groundwater contamination from gas wells. The technique, which identifies gases from different formations and then matches them to gases found in water samples, was pioneered by Karlis Muehlenbachs, a 62-year-old geochemist at the University of Alberta. Muehlenbachs even used the technique to clear a company of contamination charges during the Ludwig controversy. At Ernst's insistence, Alberta Environment finally ordered isotopic fingerprinting of four gas wells and three water wells in Rosebud, in March.

Shortly after the fingerprinting tests, McKee, the EUB's legal counsel, met with Ernst, on June 8, to discuss her case. Liberal MLA David Swann sat in as a witness, and Ernst taped the exchange.

"You are too intelligent and too capable...to just start bashing us," said McKee. "I have learned that being reasonable doesn't work," replied Ernst. At the end, McKee promised Ernst an audience with the EUB, adding, "I want to have you reinvigorated and reinjected into the process."

Although Alberta Environment won't comment yet on the latest test results, Muehlenbachs says the situation is neither black nor white — and that the province's groundwater is no longer pristine. "We've been drilling for 70 years," he says. "There are leaks everywhere." In the Zimmerman case, Muehlenbachs suggests that contamination possibly resulted from industry activity, but no good baseline data on the methane content of the water exists. "It's ambiguous," he explains. In the Rosebud area, Muehlenbachs found propane and butane in several water wells, a clear signature of possible leaks from deeper gas formations. "Unless someone threw a Bic lighter down the well, it's a sure sign of contamination," Muehlenbachs says. But the lack of good baseline water data again clouds the issue. "What gas was there in the first place and how much was added — you have to guess."

Bev Yee, assistant deputy minister of Alberta Environment, said she cannot comment directly on any of the investigations, because they are incomplete and are currently under review by the Alberta Research Council. “We have established no direct ties to coal-bed methane,” she insists.

Yee explained that the government introduced a new baseline water testing program, on May 1, but admitted that baseline data hadn’t been “gathered consistently” in the past. When asked about a 2005 report, by Komex International Ltd., a global environmental consulting firm, that pointedly identified a “lack of monitoring wells” in Horseshoe Canyon and other oil and gas formations as “clearly evident,” Yee replied: “I’ve taken that report into consideration.” She added that the government will be looking at enhancing the monitoring network.

Yee says that the government currently has no requirement for companies to fingerprint their gas or to make that information publicly available, something Ernst, Muehlenbachs and other scientists consider an essential procedure. An independent scientific panel may soon review the topic, as well as all other standards associated with groundwater monitoring, Yee adds.

Ernst now suspects that shallow drilling and fracing for CBM have aggravated an existing problem: natural gas migration from shallow wells, as well as older wells, due to unprecedented activity. In the past four months, she says she has had about 100 calls from rural residents, and nearly half dealt with water contamination of some kind. “We have the right to safe water,” she argues.

Liberal MLA Swann now accuses the Alberta government of outright negligence — and has called upon the EUB and the Canadian Association of Petroleum Producers to hold a one-day forum on natural-gas migration into groundwater. At a series of public meetings in rural Alberta, in June, he says he found “a high degree of skepticism and cynicism about government regulators.”

To Muehlenbachs, resource exploitation in Alberta has simply galloped ahead of basic science on groundwater. He says that industry and government regulators really don’t know enough about the state of groundwater in one of the most heavily drilled landscapes in North America. “They need to have some curiosity about how mother nature works and what happens when we fiddle with it.”

APPENDIX G: WPP

Australian professor Sharon Beder with the University of Wollongong in New South Wales has published reams of documents about power relationships in the corporate world and documents on environmental politics. (Wikipedia, *Sharon Beder*, and website herinst.org/sbeder/about.html) In 2001, Beder co-authored an article with Rochard Gosden published in *PR Watch*, *WPP: World Propaganda Power*. Though now some eleven years old, the dated piece has some critical insights into the weird fabric and domain of WPP, the giant international public relations “conglomerate.” Here is the article in its entirety.

For the past fifteen years the disparate international tribes of ad men and PR consultants have been quietly consolidating their power by forging giant conglomerates. The two biggest of these, WPP and Omnicom, were founded within a year of each other in the middle 1980s. Together they now manage the hearts and minds of global populations for their transnational corporate clients.

The rationale behind the amalgamation of advertising and PR companies is simple: the merging spree of transnational corporations in the 1980s and 1990s produced giant companies with far flung assets and interests. These vastly enlarged corporate entities demanded one-stop advertising and PR services. To provide this one-stop service financial whiz kids moved into the communications business and began the amalgamation process.

Readers of *PR Watch* are well aware of Hill and Knowlton’s and Burson Marsteller’s dubious achievements. But some might be startled to learn that the manipulative skills of these two have recently been combined under one roof. Hill and Knowlton has been owned by WPP since 1987. In October 2000 WPP also acquired Burson Marsteller when it bought Young & Rubicam for \$4.7 billion. With the Young & Rubicam purchase WPP overtook Omnicom and lunged into forward position as “the world’s leading communications services group”.

Clients of the WPP Group include the majority of companies in the Fortune Global 500 and the Nasdaq 100 including Ford, IBM, Kellogg, Eastman Kodak and American Express. The combined revenues for WPP and its new acquisition, Young & Rubicam, were \$5.2 billion in 1999 and their combined market value was \$14.5 billion. The WPP Group is now one of the top three communication service providers in every market of the world.

At the time of the acquisition WPP founder and CEO, Martin Sorrell, said of his vast empire, “We share a common philosophy and culture of providing clients with integrated solutions to their marketing needs”. Indeed, the diverse group is able to offer clients every conceivable service associated with marketing their products and promoting their corporate goals.

The WPP Group consists of over 80 companies including some of the world’s largest firms in the areas of advertising – J. Walter Thompson, Ogilvy and Mather, Young & Rubicam – branding and identity; demographic marketing; direction, promotion and relationship marketing; investor relations; public relations; strategic marketing consulting; and media investment and services. WPP employs 55,000 people in 92 countries and has 1,300 offices.

In the field of public relations the WPP Group not only owns the two largest PR firms worldwide – Burson Marsteller and Hill and Knowlton – but they can also draw on the skills of Ogilvy Public Relations Worldwide, Cohn & Wolfe and several others – 18 companies in all.

Sorrell doesn't like to use the word conglomerate to describe his monster. He prefers to call it "a group of tribes. I think the tribes have their value. We would lose a lot of that value if we were only members of the Ogilvy tribe, or the J Walter Thompson tribe, or the Hill & Knowlton tribe."

The WPP tribal conglomerate began from very humble beginnings in 1985 when Sorrell and a partner bought a controlling stake in a UK public company called Wire & Plastic Products manufacturing wire shopping baskets, filing trays and assorted oddments. It cost them \$676,000. Sorrell had been the financial director for advertising agency Saatchi and Saatchi from 1977 to 1985, managing its takeovers of companies in the US and the UK. But he had a vision of far bigger things.

Clearly, Sorrell had no interest in manufacturing wire baskets when he bought up Wire & Plastic Products. What he wanted was a shell company, a vehicle for buying up other companies. In 1986 Wire & Plastic Products became the innocuous sounding WPP Group plc and Sorrell became chief executive. In that same year the company acquired ten marketing companies in the US and the UK.

Using borrowed money the acquisitions came quickly after that. In a hostile takeover in 1987, WPP acquired the much larger US-based J. Walter Thompson Group, which included Hill and Knowlton, for \$566 million. This was only one of nine major acquisitions WPP made that year. A couple of years later it acquired the Ogilvy Group for \$864 million prompting Time Magazine to describe Sorrell as the "Machiavelli on Madison Avenue" and "the most feared raider to set foot on Madison Avenue".

In 1990 *Advertising Age* named WPP the top advertising agency in the world. And whilst WPP was acquiring companies as fast as the banks would allow, its subsidiary companies were also making their own acquisitions. WPP's 1999 annual report notes "We continue to trawl carefully for acquisitions and investment opportunities..."

This takeover activity is still proceeding at full pace without any limitations in sight. At the same time WPP is also busily expanding the reach of the companies and networks it has already purchased. According to its annual report: "In 1999 the Group increased its equity interests in advertising and media investment management agencies in Australia, Austria, Brazil, France, Italy, the Netherlands, Portugal, Spain, Sweden, the UK and the US; in information and consultancy in Argentina, France, Germany, Mexico, Poland, the UK and the US, in public relations and public affairs in Chile, Germany, the UK and the US, and in branding and identity, healthcare and specialist communications in Brazil, the Czech Republic, France, Germany, the UK and the US."

Despite initial appearances WPP seems to be aiming to become more than just a holding company. It's stated goal is to be "the preferred provider of multinational marketing services", able to provide clients with a comprehensive and integrated range of services that are both tactical and strategic. Sorrell told *Forbes Magazine* in 1999: "It is politically incorrect to say so, but our big clients are becoming more coordinated". That is the reason, he claimed, that providers of communication services must also be coordinated and centralised.

One of WPP's strategies is to form internal networks of its companies to offer specialist services. For example, CommonHealth combines all the WPP companies with expertise in healthcare communications to make an organisation that WPP claims is "the largest healthcare communications resource in the world". Its services range through "advertising, consumer promotion, public relations, medical education, and the latest interactive technologies". Its established clients include Pharmacia & Upjohn, Procter and Gamble and Astra Zeneca.

So what is the significance of this concentration of ownership in the communication services industry? Is it, as the *Guardian* newspaper suggests, simply that the advertising and PR industries are catching up with the consolidation binge of transnational corporations? "Having lagged behind the companies they serve for more than a decade, ad agencies ... rushed to buy, or be bought, in an often bewilderingly rapid feeding frenzy." Does it matter that four of the world's largest public relations firms are now owned by the same corporation? Is WPP just a holding company formed to make money? Or does it have more colourful possibilities? Could it be a potential power house, a huge propaganda machine, with the reach and coordinated skills in people manipulation that might allow it to rule the hearts and minds of the entire global population

Some ad men and PR flacks have long dreamed of such a tool. Even back in the early 1980's, when J. Walter Thomson was small fry compared to its WPP parent today, one of its executives went on record musing: "We have within our hands the greatest aggregate means of mass education and persuasion the world has ever seen – namely, the channels of advertising communication ... We have power. Why do we not use it?"

WPP is a UK-based company. This means that when Hill and Knowlton masterminded the Kuwaiti campaign to sell the Gulf War to the American public the owners of this highly effective propaganda machine were residing in another country. Should this give some pause for thought? Does it demonstrate a certain potential for the future exercise of global political power. It goes without saying that the power to manipulate democratic political processes through managing public opinion, which Hill and Knowlton demonstrated 10 years ago, is trifling compared to the potential power now residing in integrated conglomerates like WPP and Omnicom.

Sorrell himself, is a somewhat enigmatic figure. He is reported to have a grandness of vision that isn't reflected in either his diminutive stature or his modest self-appraisal: "he once famously described himself as 'a dull, boring little clerk'". (But this was before he received a knighthood last year and became Sir Martin). The chairman of the WPP Board is perhaps more familiar. Remember Hamish Maxwell? He was the chairman and CEO of Philip Morris from 1978 to 1991. During the heady 1980s, when tobacco money was busy with corporate takeovers, Maxwell played a leading role. He oversaw Philip Morris's acquisitions of General Foods, Kraft and several other major consumer goods firms. Maxwell has been chairman of WPP since 1996.

Both of these men have backgrounds as financial wheelers and dealers and there is very little on the record which suggests either one has any kind of political or social vision beyond business. But of course, politics and social engineering is the business of business, isn't it? Sorrell even admits that he has never designed an ad in his life and is happy to call himself a 'money man': "I like counting beans very much indeed". But, even so, Sorrell is a money man with a fascination for marketing and public relations. He is said to have a vision of a central role for what he calls 'creative' communications in a coming Creative Age when conglomerates, such as his, will occupy the pivotal position as "creative business consultants", and much more.

But how much more? Sorrell apparently mourns a past when companies would “welcome an agency’s thoughts on just about all aspects of their business” and hopes to return to that situation through offering integrated communication services, thereby ensuring that companies such as his own are central to this coming Creative Age, advising powerful corporations on “all aspects of their business”. He sees management consultancies as “potential competitors” in this. “In a business world that is going to put a higher and higher value on integrated creativity, we are in danger of losing what should be our overwhelming advantage — by allowing something called creativity to be confined to the creative compound.”

In a lecture to the Design and Art Direction (D&AD) association Sorrell said “the world of business is moving in a direction that should offer our particular world [marketing and PR] far more exciting opportunities, far more fun and far more beans to count... Information, of itself, will only rarely deliver competitive advantage. More than ever before, it’s what we do with that information that will matter. Our value to clients will be in exact proportion to our ability to take information, to take knowledge, all of it almost certainly known to others, and — through a series of creative acts and processes — transmute that knowledge into unique and wantable goods, services and systems.”

Is this a man prepared to tell the world that “toxic sludge is good for you”? Perhaps. It would be easy to get carried away with your persuasive powers if you could draw on the coordinated manipulative skills that Sorrell has assembled. Certainly his counter-part at the rival advertising and PR giant, Omnicom, has demonstrated a predilection for this type of ambition. In describing what he seems to think is the unbounded tools of persuasion assembled in his conglomerate, John Wren, the President and CEO of Omnicom, has actually boasted to Business Week, “We’re the people who can take cosmic dust and turn it into a brand.”