Oil Officials Dissatisfied with Obama’s Speech

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NEW ORLEANS (AP) — A day after President Barack Obama's State of the Union speech, petroleum industry representatives called Wednesday for a more-aggressive energy development policy, saying the United States could take care of more of its petroleum needs while cutting dependence on unstable foreign oil supplies.

During the annual meeting of the Louisiana Mid-Continent Oil and Gas Association, industry officials said the formula should include shale oil production, offshore drilling in more areas and the construction of the Keystone XL pipeline that would bring oil from Canada to Texas.

"The game changer is the oil sands of Canada and the shale plays," said LMOGA head Chris John. "It has the potential to make us energy independent. Every barrel we bring in from Canada is one less barrel we have to buy from Hugo Chavez."

On Tuesday night, the president directed his administration to develop a plan for safe extraction of natural gas from shale deposits, which the White House said would support more than 600,000 jobs. Obama said the administration is moving forward with rules to ensure that safe drilling practices are followed and the types of chemicals in the fracking method are disclosed for operations on public lands.

Hydraulic fracturing, or fracking, involves the high-pressure injection of millions of gallons of water, along with sand and chemical additives, deep underground to extract natural gas trapped in shale rock. The technique is being expanded rapidly to produce oil from shale.

The industry has long contended that fracking is safe, but environmentalists and some residents who live near drilling sites say it has poisoned groundwater. The U.S. Environmental Protection Agency has started a study of the issue.

Obama also called again for an end to drilling tax breaks for the oil and natural gas industry — a proposal that Congress has largely ignored, even when Democrats controlled both chambers.

John said eliminating those breaks would merely drive oil exploration overseas.

"These drilling operators are very mobile and they can move easily," he said.

Randall Luthi, head of the National Ocean Industries Association, repeated a longstanding industry call to open up more of the coastal United States to offshore drilling. Obama made a move in that direction shortly before the BP Deepwater Horizon disaster in the Gulf of Mexico in April 2010, but quickly backed off.

During his speech Obama said he was directing his administration "to open more than 75 percent of our potential offshore oil and gas resources." Those at the LMOGA meeting said they were waiting to see exactly what the president meant.

Luthi said too much of the U.S. drilling plan continues to be centered on the Gulf "where we have been looking and looking again for 30 years." At the same time, significant long-term finds are coming from new areas of overseas drilling, such as Brazil and Africa, taking away U.S. jobs and revenue, he said.

The president blocked the Keystone pipeline last week, saying officials did not have enough time to review an alternative route to avoid environmentally sensitive areas of Nebraska. The $7 billion project proposed by Calgary-based TransCanada would carry tar sands oil from western Canada across six states to refineries on the Texas Gulf Coast. Industry officials in Louisiana say part of that oil also would be sent to Louisiana refineries.

The United States could lose out to other countries if it waits too long to take advantage of TransCanada's plan, said Gary Heminger, chief executive of Marathon Petroleum Corp. He said Asian countries are investing in Canadian oil sands.

"We have a great ally of the United States willing to share that resource," Heminger said. "We want this Canadian oil to come to the United States."

After Obama's speech, U.S. Sen. Mary Landrieu, D-La., said she was glad to see the president's proposal on domestic energy production, but called on the administration to speed up offshore drilling permits in the Gulf, saying the current pace "continues to be far too slow."

Her Republican counterpart, U.S. Sen. David Vitter, also said he was glad to hear the president speak "a fair amount" about U.S. energy.

"The question is if he'll be serious about that and follow up with action," Vitter said.

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