SERVICE STATION DEALERS OF AMERICA AND ALLIED TRADES

SSDA News

Service Station Dealers of America and Allied Trades

VOLUME 31, ISSUE 1 JANUARY, 2017

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Trump, Congress Laying Groundwork for Regulations Rollback

By Roy Littlefield

Businesses across America, large and small, have been hit hard by regulation and government bureaucracy. We have seen government agencies for the past several years writing overarching and restrictive laws, regulations, and procedures on businesses. The changes, sometimes drastic, have caused some business owners to lay off staff, suffer great financial losses, and in some cases, causing bankruptcy and closure of the business.

The agencies have been able to enforce these laws and regulations by their massive enforcement agencies. In 2016, OSHA conducted 40,000 inspections across America, in many cases at service station and repair shop locations, fining dealers tens of thousands of dollars for inconsequential violations. In years past we saw enforcement teams giving warnings and a notice of 30 days to fix violations before a fine was issued but because of the size of the agencies, the fine money has become a necessity for self-funding.

On the positive, President-elect Donald Trump and Republicans are quickly making plans to roll back a slew of Obama administration regulations in early 2017.

Trump has said he will halt all regulatory activity as soon as he's in the Oval Office. The president-elect's plan includes a moratorium on new rules, as well as a vow to repeal recently published regulations that were pushed through in the final year of the Obama administration.

Trump's plan has been met with enthusiasm from Republican lawmakers who are already laying the groundwork. House Republicans are crafting a list of regulations for Trump to undo. The list already tops 200, with Rep. Mark Meadows (R-N.C.) saying it was intended to help the new president "hit the ground running on day one."

Topping the list are the Labor Department's new overtime rules, the Environmental Protection Agency's Waters of the U.S. rule, the Labor Department's financial adviser rule and the Federal Communications Commission's net neutrality rules. Republicans are also pressuring agencies to halt their regulatory work in the waning days of the Obama administration.

Although, Republicans say they are worried about a flood of so-called "midnight regulations" before Obama leaves office. We are already seeing President Obama using executive orders to preserve all he can of his legacy before leaving office.

Despite Republican warnings, federal agencies under Obama are aggressively ramping up regulatory activity to ensure their most important rules are finalized. SSDA-AT has been monitoring this situation closely.

We have already seen some regulations fail to take effect including the new overtime regulations, and we suspect that under a Trump administration that law will never take hold. We expect to see a large roll back of other regulations and we are hopeful for a downturn in inspections taking place in our businesses.

Others including House Speaker Paul Ryan have spoken out against regulations, saying that for every new regulation, two previous regulations must be removed.

Regulations have crippled American businesses and SSDA-AT is encouraged that in 2017 we can tackle these issues in Washington, D.C.

EPA chief voices cautious hope as Trump inauguration nears

Outgoing EPA Administrator Gina McCarthy sounded a note of hope Monday in response to concerns that US environmental policy could face upheaval as control shifts from a Democratic to Republican presidency.

She pointed to two key factors – the momentum of marketplace forces and the tendency of all Americans to support clean air and water – that could tilt the Environmental Protection Agency under Donald Trump toward a bit more continuity than many observers may be expecting.

"EPA's mission is a nonpartisan mission," Ms. McCarthy said at an event hosted by The Christian Science Monitor. "It's just about public health. People like clean air and clean water and healthy land."

She voiced hope that even the Trump team, though so far voicing little love for things like action on climate change or limits on fossil fuels, will have an EPA influenced by those public concerns.

"They'll figure it out," McCarthy said in one of her first public appearances since Mr. Trump's election. "I'm not going to make judgments [on people] based on what was said during the campaign. I think we have to respect the right of the next administration to make its own choices."

Those choices, she added, will be influenced not just by ideology or personal opinions but by a marketplace in which renewable energy has been growing increasingly competitive with fossil fuels.

All this doesn't mean the incoming Trump administration can't and won't chart its own course on energy and the environment. In fact, McCarthy noted that "just one individual" from Mr. Trump's transition team had contacted the EPA before Thanksgiving.

"We have not heard from them since," she said.

Mr. Trump is considering a handful of candidates to replace McCarthy at EPA who have fought many of the regulations the Obama administration has crafted. The Republican candidates include Oklahoma Attorney General Scott Pruitt; Kathleen Hartnett White, the former head of the Texas Commission on Environmental Quality; and Jeff Holmstead, a lawyer (and, until recently, lobbyist) at Bracewell Law who was the EPA air chief under former president George W. Bush.

McCarthy, however, downplayed concerns that her successor might throw her work at the agency into the dustbin.

"I don't think you can evaluate anybody looking for the administrator's position by anything that's stated in a campaign until folks govern. And I'm not going to make judgments on individuals on the basis on

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EPA chief voices cautious hope as Trump inauguration nears

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what was said during a political campaign," McCarthy said. "The next administration has to do their job as well and follow the science and the law. And that's how they're going to be judged."

Some experts, speaking at a panel following the Monitor event, also saw pressures that could give a nudge toward the political center.

Nuance for Obama, and now for Trump?

"The Trump administration is actually going to inherit a really strong energy system," and a nation that has seen "unexpected reductions in energy use," said Jason Grumet, president of the Bipartisan Policy Center. He sees a path by which the Trump administration might be a sort of mirror image of the Obama one.

Mr. Grumet said Obama oversaw a ramp-up of action on climate change and investment in clean energy, while attempting not to "mess up" the nation's overall energy production that includes fossil fuels. Trump has positioned himself as a booster of fossil fuels, but may seek not to "mess up" the progress on greenhouse-gas reductions, Grumet said.

With many corporations concerned about the risk that climate change poses to their investments, "I think this is going to be a little bit less of an extreme change than you might have been led to imagine," Grumet said.

Scott Segal, an expert on environmental policy at Bracewell Law in Washington, added that he expects the Trump administration "is going to be very helpful to the nuclear sector."

Nuclear power, while not the favorite clean energy among environmentalists, is seen by many energy experts as a vital piece of an overall strategy for lowering greenhouse gas emissions.

Also in the news, and noted by the panelists: The president-elect's daughter, Ivanka Trump, has voiced support for taking action on climate change. Her influence could become a force that counterbalances some of those on the Trump team who have been skeptical of the need to curb emissions.

Donald and Ivanka Trump discussed climate change with former vice president Al Gore, a leading advocate on the issue, in a meeting Monday in New York, with Mr. Gore saying afterward that it was "extremely interesting ... and to be continued," according to news reports.

Trump vows to address Dakota Access, Keystone XL

President-elect Donald Trump is promising to address stalled energy infrastructure projects such as the Dakota Access and Keystone XL crude pipelines after he takes office in January.

Trump, in a televised interview aired today, bemoaned long permitting delays at agencies such as the US Environmental Protection Agency stymieing job creation. "People are waiting in line for 15 years before they get rejected. That is why people do not want to invest in this country," he said.

Trump said he hoped the controversy over the blocked 470,000 b/d Dakota Access crude pipeline will be resolved before he takes office on 20 January "... so I do not have to create enemies on one side or the other."

But Trump vowed that "when I get to office, if it is not resolved, I will have it resolved very quickly." He did not say what he would do exactly, although he said: "I think it is very unfair."

The controversy over the $3.8bn Dakota Access pipeline has pitted project partners Energy Transfer Partners and Sunoco Logistics Partners against a coalition of American Indian tribes and environmental groups led by the Standing Rock Sioux.

The 1,172-mile (1,886km) pipeline would transport crude from the Bakken fields in North Dakota to Illinois and then onward to the US Gulf coast. The US Army Corps of Engineers on 4 December rejected an easement the agency has argued is mandatory before construction can begin under Lake Oahe, a dammed portion of the Missouri river in North Dakota.

Canadian midstream company TransCanada has struggled for years to win approval to build the 830,000 b/d Keystone XL crude pipeline to transport oil from Alberta's oil sands and the Bakken formation to the US midcontinent. President Barack Obama last year denied the permit TransCanada needed to cross the US-Canadian border.

As for Keystone XL, "you will have a decision fairly quickly," Trump said.

Texas crude oil production on track to equal 2014

Figures released today by the Railroad Commission of Texas show crude oil production from state wells for October adjusted to 75.3 million barrels, bringing production to 812 million barrels for the first 10 months of 2016.

At the current rate, the year would close out with an estimated 975 million barrels, only 1.3 percent lower than production for 2014. In the October adjusted data, Midland County led production with 5.7 million barrels.

The New York Mercantile Exchange benchmark price for West Texas Intermediate crude on Wednesday morning was $52.83 per barrel, up from the low $30-a-barrel range in January of this year.

Crude production for 2015, according to commission data, was 1.077 billion barrels.

The commission stated that 181,637 wells were producing crude in Texas during October.

U.S. shale output set to rise in January as OPEC pulls back

U.S. shale production is set to snap a five-month decline in January, the U.S. government said on Monday, a move that comes just days after OPEC and rival producers agreed to reduce crude output in an effort to boost prices.

The month-on-month increase in production would be the first since July and the second rise in a year, according to the U.S. Energy Information Administration's drilling productivity report.

January production will edge up 1,400 barrels per day to 4.542 million bpd, the EIA said. In December, it was expected to drop by 29,000 bpd.

In the Permian Basin of West Texas, output is projected to rise by 37,000 bpd to 2.13 million bpd, the data showed.

North Dakota's Bakken oil production was set to drop by 13,000 bpd to 906,000 bpd. Eagle Ford output in South Texas was set to drop by 23,000 bpd to 980,000 bpd.

Recently, members of the Organization of the Petroleum Exporting Countries and rival producers agreed to cut global output in their first such deal since 2001.

As part of the deal, non-OPEC producers would scale back output by 558,000 bpd.

The cutbacks, on top of the 1.2 million bpd by OPEC, would start in January.

Analysts point out, however, that production cuts globally would encourage further price increases, allowing U.S. shale drillers to ramp up output following a two-year oil rout.

Goldman Sachs said recently, that U.S. shale production is on track to grow in the first quarter, with producers achieving 800,000 bpd of annual production growth at $55 a barrel.

Total natural gas production was forecast to increase in January for the first time in five months to 47.5 billion cubic feet per day (bcfd), the EIA said. That would be up almost 0.1 bcfd from December.

The biggest regional decline was expected to be in the Eagle Ford, down almost 0.2 bcfd to 5.4 bcfd in January, the lowest level of output in the basin since November 2013, the EIA said.

Output in the Marcellus formation in the eastern U.S. was set to rise by almost 0.2 bcfd to 18.5 bcfd in January, a third consecutive increase.

EIA also said producers drilled 635 wells and completed 570 in the biggest shale basins in November, leaving total drilled but uncompleted wells (DUCs) up 65 at 5,218, the most since May.

Innovation Here to Stay as Oil, Gas Industry Seeks Competitive Edge

Innovation will continue to play a role in the oil and gas industry as companies seek to remain competitive, not only in terms of cost and efficiency, but attracting the next generation of workers.

Rigzone's inaugural Ideal Employer Survey highlights what our readers think are the most innovative companies in the oil and gas industry. Damon Vaccaro, a principal with Deloitte Consulting LLP, told Rigzone he is seeing more and more of the firm's oil and gas clients focusing on their innovation practices and building the capability to innovate within their organization. Vaccaro also expects to see more digital type thinking and capabilities permeating the oil and gas sector.

In recent years, the oil and gas industry has been exploring technological innovation, such as digital technology, to gain more insight and derive more value from exploration and production. This discussion has continued through the downturn as companies look at how technological innovation can help companies better integrate their operations.

Oil and gas companies are now looking at realizing efficiencies wherever they can, including the digitization of the paper-based process, Yanda Erlich, founder and CEO of Parsable, said in an interview with Rigzone. Parsable has been working with companies such as Schlumberger – also on Rigzone's Ideal Employer Survey list of most innovative companies – to not only extend operational excellence across Schlumberger's global business, but allow the company to capture the knowledge of retiring workers.

Royal Dutch Shell plc ranked among the top five most innovative companies. Innovation has led to Shell's many industry firsts, from building the first oil tanker deemed safe enough to navigate the Suez Canal in 1892, to the opening of the world's first commercial-scale carbon capture and storage project at an oil sands facility in Canada last year, Yuri Sebregts, chief technology officer at Shell, told Rigzone. Shell continues to push the technology envelope, responding to challenges such as ever increasing field complexity, new customer requirements for more sophisticated oil and gas products, and the changes in global energy markets.

"As the energy system transitions, innovation and technology will continue to play a critical role as we seek to meet the world's growing energy needs with less environmental impact," Sebregts said.

Chevron Corp. – also ranked as one of the top five most innovative companies in the survey – has thrived for over a century by continuously finding new technologies and approaches to reliable, affordable energy while improving environmental performance from production to consumer's end-use emissions, Melissa Ritchie, Chevron spokesperson, told Rigzone in an email statement. Since 2007, Chevron has invested nearly $6 billion on research and development, and is involved in every step of the technology development chain. One example of Chevron's work with innovative technology includes its use of drones for early detection of unanticipated emission releases.

Innovative Strategy, Structure, Work Practices Needed in Oil, Gas

Innovation is not only needed in oil and gas technology, but in the industry's business practices, strategy and hiring practices. This innovation is needed as industry will seek to address is how to be more agile, more autonomous in real-time, and how to react to market conditions quicker, Vaccaro told Rigzone.

Going forward, companies will need to pay attention to weak signals, or signs that indicate a possible future direction for an industry, Vance Scott, Ernst & Young's (EY) Americas Oil & Gas Transaction Advisory Services Leader, told Rigzone. Scott referenced E&Y's three-box solution, in which most companies will focus 100 percent of their effort on the first box, or activities and things that have helped them succeed in the past. But this can create a blind spot for market changes that can occur. Technology is one factor that can change a business.

Business models, changing regulations, demographic changes and consumer preferences are other factors. These can start very slowly and gain momentum. Using a portion of company resources to look at emerging trends can better position a company for future success.

Innovation is also needed in the future underlying operational philosophy of oil and gas companies. Major oil and gas companies are still looking to pur-

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Innovation Here to Stay

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sue innovation in this area as they strive to become more competitive in plays such as shale.

"The success of major oil and gas companies is still built around large-scale, expensive capital projects. Successfully managing these projects – such as a field development project with a liquefied natural gas train or the construction of a deepwater floating, production, storage and offloading vessel – requires all the moving parts to work flawlessly," Scott said.

While the stage-gate process works for large, offshore projects, shale operations present different risks. A shale well can be contained quickly if a problem arises, and the associated loss is not as big.

"Because of safety and risk management practices, oil and gas companies historically have deployed new technology slowly to ensure they were fully baked," Erlich commented. "Instead of deploying technology across an entire organization, companies are now starting with an individual business unit to prove a technology's value. This is viewed as the way to accelerate value from digital technology and collaboration efforts without increasing the actual or perceived risk in operations."

Using technology to provide continuous feedback on worker performance is another innovation oil and gas companies are pursuing to retain workers. For example, a manager can leave a meeting and immediately rate someone on how they did, Rachel Everaard, a principal with EY's People Advisory Services practice, told Rigzone. Oil and gas companies also are incorporating technologies that enable the focus on collaboration and growing presence of virtual work teams.

Implementing technologies such as video conferencing not only is being done to accommodate millennials, but to be more judicious about cost and getting work done more efficiently. Innovative technology, such as simulation technology, also is being used to transfer the lessons learned by the older generation to the younger generation. Companies are turning to automation because of fewer available workers interested in working in remote locations, Everaard said.

Smaller, more nimble teams that are diverse in their thinking will be critical to companies' future success, Vaccaro said.

"These teams should be multi-modal teams, which combine workers with different areas of expertise to identify ideas and conduct preliminary tests to see if they offer enough sufficient value to be scaled throughout an organization," Vaccaro stated.

Innovation Needed in Oil, Gas Hiring, Work Practices

Oil and gas companies have been exploring innovative ways to hire and retain millennial workers, Everaard stated. One example is Exxon Mobil Corp.'s construction of a large campus north of Houston to serve as a central hub for its operations.

"The idea of a campus environment was to show that they were much more collaborative and a less hierarchical environment," Everaard told Rigzone.

Companies are also offering community service programs that go beyond the typical United Way program and stress management and mindfulness programs.

"From the physical work environment to training, job assignment programs and rewards, innovative oil and gas companies are rebranding themselves to prepare for the competitive hiring market when oil and gas prices recover. Not only are companies having to ensure they can edge out industry competitors, but be able to compete with other industries in attracting millennials," Everaard noted.

Scott told Rigzone sees the need for industry to be innovative in getting its message across on the benefits of oil and gas.

"The industry is losing the battle for the mind and soul of the American and global populations," said Scott. Noting that medicines, mobility products, consumer goods, and technology and communication products wouldn't exist without the underlying impact of oil and gas, "we would live a very meager existence if we moved hydrocarbons out of our lives."

The $3.5 Trillion Fracking Economy Is About To Get A Lot Bigger

Hydraulic fracturing generated $3.5 trillion in new wealth between 2012 and 2014 in spite of falling oil prices, according to a new study, but today's rising prices could be even better for the U.S. economy.

From 2012 to 2014, the shale oil industry generated 4.6 million new jobs due to an energy boom and the resulting low gas prices, according to a study published by the National Bureau of Economic Research (NBER). Expensive energy could be a huge net positive for the U.S. fracking economy because rising oil prices mean more drilling.

Oil prices fell to a record low of $30 a barrel during the previous year, sharply reducing the industry's profit margins, which are now rising again. Researchers estimate that new economic activity from fracking technology created around 4.6 million net new jobs, but only about 1.6 million of these new jobs were directly linked to the oil industry, while many of the rest were due to lower gas prices and the positive effect that had on the American economy.

"What's often overlooked is the impact that the shale revolution has had throughout the economy," Chris Warren, a spokesperson for the pro-industry Institute for Energy Research (IER), told The Daily Caller News Foundation. "Lower energy prices mean people have more money to save or spend on other day-to-day necessities. More energy production leads to job creation in other sectors of the economy, whether it's manufacturing, healthcare, education, etc."

As prices rise again, money will have to be spent on expensive gasoline and energy, which instead could have been used stimulating the local economy, financing investment or saved.

The NBER study concluded the vast majority of new oil development occurred on privately held land, because getting permission to drill on federal land was exceedingly difficult during the study period.

"The NBER study is consistent with a study we released last year that looks at the future economic impacts of opening federal lands to energy development,"

The $3.5 Trillion Fracking Economy Is About To Get A Lot Bigger

Warren told TheDCNF. “That study found that opening up federal areas to natural gas, oil, and coal production could create 2.7 million jobs over the next 30 years and lead to $20.7 trillion in economic activity over the next 37 years.”

Opening federal lands for natural gas creates a huge number of high-wage jobs inside and outside the energy industry, according to a the study published last December by Louisiana State University and IER. Fracking has already created an estimated 1.7 million jobs and will likely create a total of 3.5 million by 2035.

“The shale revolution is a product of American ingenuity and private property rights,” Warren noted. “It’s important to note that the boom in oil and gas production happened on state and private lands, while production on federal lands has lagged far behind.”

If environmentalists had successfully banned fracking in 2017, an estimated 3.9 million jobs would instantly disappear due to indirect environmental effects, rising to 14.8 million jobs lost by 2022, according a report by the U.S. Chamber of Commerce. Gasoline prices would almost double, as would electricity prices. U.S. household incomes would fall by $873 billion.

Opening up the Arctic National Wildlife Refuge’s (ANWR) oil reserves would create an estimated 736,000 new American jobs, according to an economic analysis.

Studies by industry groups estimate that offshore drilling would create 840,000 American jobs and nearly $200 billion in revenue for the government by 2035.

Opening up these lands and waters would also lead to $5.1 trillion in new wages and $3.9 trillion in new federal tax revenue over the next 37 years, which would massively stimulate the economy, according to other research.

Trump Taps Rick Perry for Energy Secretary

After a last-minute meeting, President-elect Donald Trump has chosen former Texas Gov. and Republican presidential candidate Rick Perry for Energy secretary.

Perry would take over a department that he famously advocated scrapping.

During his first run for the GOP nomination, in a 2011 debate, Perry attempted to list the three agencies he had plans to do away with. After naming the departments of Commerce and Education, he couldn't remember the third.

Further along in the debate, a light bulb went off. “It was the Department of Energy that I was reaching for before,” Perry said.

Perry sits on the board of Dallas-based Energy Transfer Partners, a subsidiary of which is responsible for building the Dakota Access pipeline.

Trump has expressed his support for the controversial pipeline, despite months-long protests and a recent Obama administration decision halting construction.

Perry announced a second run for the Republican nomination in June of 2015, only to drop out of the race by September. At first, the former governor was critical of Trump, calling the reality TV star’s campaign a “cancer on conservatism.”

He eventually endorsed Trump after initially throwing his support to fellow Texan Sen. Ted Cruz.

“He is not a perfect man," Perry told CNN in May as it became clear that Trump would win the nomination. “But what I do believe is that he loves this country and he will surround himself with capable, experienced people and he will listen to them.”

“He wasn’t my first choice, wasn’t my second choice, but he is the people’s choice,” Perry added.

Trump had also considered West Virginia Democratic Sen. Joe Manchin III for the department's top job. The two met recently to discuss the position.

Manchin expressed gratitude for Trump's consideration, and vowed to work with the new administration going forward.

"I was honored that the President-elect asked me to meet with him and discuss ways we can work together and improve the lives of millions of Americans, and the hard-working people of West Virginia," Manchin said in a statement. "I was humbled to be considered for the Secretary of Energy position."

"I hope all Americans join me in working with President-elect Trump in a bipartisan way to bring our country together and make it successful."

Canada's Trudeau says Trump very supportive of Keystone XL pipeline

Canadian Prime Minister Justin Trudeau said that U.S. President-elect Donald Trump was "very supportive" of TransCanada Corp's proposed Keystone XL crude oil pipeline in their first conversation after the U.S. election.

"He actually brought up Keystone XL and indicated that he was very supportive of it," Trudeau told an event in Calgary, Canada's oil capital. "I'm confident that the right decisions will be taken."

Trudeau, who too supports Keystone XL, said also he saw "extraordinary opportunities" for his country if the United States under Trump steps back from tackling climate change, a move that would make Canada relatively more attractive for green-technology investment.

Trump has said he would approve the 830,000-barrel-per-day Alberta-U.S. Midwest Keystone XL which the Obama administration rejected over environmental concerns.

Trump's election heartened investors in Canada's battered energy industry, which has struggled with two years of low prices and long-running concerns about market access. Critics of Trudeau's Liberals say Canada's environment policies will make the country less attractive to resource-based investment compared to the United States.

Canada's Parliament in October ratified the Paris agreement to curb climate-warming emissions, bolstering Trudeau's effort to tackle them after a decade of inaction by the previous government. This month the Liberal government introduced a landmark national carbon price.

Trudeau, who approved two crude pipeline projects last month, said protecting the environment need not come at the expense of the economy, and that his green policies will create jobs in that area.

"That's the direction the world is going in," he told reporters. "We're much more likely to want to lead the change, to innovate, to be at the forefront of creating solutions."

Sara Hastings-Simon, clean economy program director at Canada's Pembina Institute, said the economic gain from Trudeau's green push will outweigh the potential loss incurred should they cause emissions-intensive companies to leave Canada.

"Clean tech is a very big space, so you start to look at estimates in the trillions for what that looks like in the future," she said. "As we come to terms increasingly with the need to reduce the environmental impact of everything ... it's clear that it's no longer confined to one single industry."

Railroad Commission collected millions in fines from Oil and Gas industry in 2016

The Railroad Commission of Texas, the state's oil and gas regulator, collected nearly $8.6 million in fines from the oil, gas and pipeline operators in 2016, according to the commission's year in review report released recently.

The fines were nearly split between pipeline operators, at $4.5 million, and oil and gas operators, at $4 million. Operators can face heavy fines if they violate state regulations such as not clearly marking equipment or failing to plug inactive wells.

But those numbers are a fraction of the agency's projected revenue for this year, more than $69 million, which it collects mostly from industry fees and accounts for more than 75 percent of its budget.

In 2016, the commission also took steps to reduce violations by granting operators immunity if violations were self-reported. As a part of a larger initiative to ease regulations, the commission adopted self-audit policies this year, encouraging companies to report violations without having to face a fine.

The immunity does not apply to violations that were intentionally committed or those deemed "reckless" by the commission; nor does the immunity apply to violations that resulted in "substantial economic benefit," according to the commission's year-end report. The report did not provide numbers of violations that were self-reported.

The agency's inspection division, charged with responding to complaints and finding possible violations, is understaffed.

The agency employs 138 oil and gas well inspectors, 63 pipeline inspectors and 12 inspectors who oversee alternative fuels, such as liquefied natural gas.

Overall, inspectors completed 124,000 inspections in 2016, slightly down from the 134,000 inspections completed last year.

Obama Decision to Block Arctic Drilling 'Stunning,' Says Alaska Delegation

President Obama's decision to place the entire Chukchi Sea and most of the Beaufort Sea off-limits to energy development is "stunning" and will deny economic opportunity, according to a trio of powerful elected officials, all of them Republican, representing Alaska.

"The sweeping withdrawal disrespects the Alaskan people, is not based on sound science, and contradicts the administration's own conclusions about Arctic development," Sen. Lisa Murkowski, Sen. Dan Sullivan and Rep. Don Young said. "It will have lasting consequences for Alaska's economy, state finances, and the security and competitiveness of the nation. In making the decision, President Obama yet again sided with extreme environmentalists, while betraying his utter lack of commitment to improving the lives of the people who actually live in the Arctic."

The withdrawal areas announced by Obama encompass 3.8 million acres in the north and mid-Atlantic Ocean off the East Coast and 115 million acres in the U.S. Arctic Ocean, according to the Department of Interior. In the Atlantic, the withdrawal decision protects 31 canyons, extending from Heezen Canyon offshore New England to Norfolk Canyon offshore of the Chesapeake Bay. The Arctic withdrawal encompasses the entire U.S. Chukchi Sea and significant portions of the U.S. Beaufort Sea.

Simultaneously, Canadian Prime Minister Justin Trudeau said his country would designate all Arctic Canadian waters as indefinitely off limits to future offshore oil and gas licensing, to be reviewed every five years through a climate and marine science-based life-cycle assessment.

The joint announcement with Canada "amounts to an incredibly lopsided trade for the United States," according to the Alaskan lawmakers. "While President Obama's Arctic withdrawal is indefinite, Canada will review the status of its Arctic waters every five years. With Russian development already underway in the Arctic, it may be just a few short years before our nation is bracketed by activity on both sides and importing the oil resulting from it."

The Beaufort and Chukchi seas together form one of the most prospective basins in the world, they said, with an estimated 23.6 billion barrels of oil and 104.4 Tcf of natural gas.

Obama invoked the 1953 Outer Continental Shelf (OCS) Lands Act in his move to block indefinitely energy development in the Arctic and Atlantic oceans. Presidents George H.W. Bush and Bill Clinton each used the law to temporarily block drilling in the OCS. Environmentalists and House Democrats had urged Obama to remove the Atlantic and Arctic oceans from future oil and gas leasing using the law, which includes no provision allowing a successor to repeal such a decision. In 2014, Obama used the same authority to extend indefinitely a freeze on oil and natural gas leasing in the waters of Alaska's Bristol Bay.

Reversing Obama's decision would require "a more significant Congressional or Executive Branch intervention than merely rewriting the Five-Year Program the Obama administration finalized on Nov. 18 (and any such intervention seems virtually certain to be challenged in court)," according to Christi Tezak, managing director of ClearView Energy Partners LLC. "The incoming Trump administration's most feasible rollback mechanism appears to be the budget reconciliation process established by the 1974 Congressional Budget Act."

Secretary of the Interior Sally Jewell defended the president's action, saying it "recognizes the vulnerable marine environments in the Arctic and Atlantic oceans, their critical and irreplaceable ecological value, as well as the unique role that commercial fishing and subsistence use plays in the regions' economies and cultures. The withdrawal will help build the resilience of these vital ecosystems, provide refuges for at-risk species, sustain commercial fisheries and subsistence traditions, and create natural laboratories for sci-

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Rex Tillerson, Exxon C.E.O., Chosen as Secretary of State

President-elect Donald J. Trump officially selected Rex W. Tillerson, the chief executive of Exxon Mobil, to be his secretary of state. In saying he will nominate Mr. Tillerson, the president-elect is dismissing bipartisan concerns that the globe-trotting leader of an energy giant has a too-cozy relationship with Vladimir V. Putin, the president of Russia.

A statement from Mr. Trump's transition office brought to an end his public and chaotic deliberations over the nation's top diplomat — a process that at times veered from rewarding Rudolph W. Giuliani, one of his most loyal supporters, to musing about whether Mitt Romney, one of his most outspoken critics, might be forgiven.

Instead, Mr. Trump has decided to risk what looks to be a bruising confirmation fight in the Senate.

In the past several days, Republican and Democratic lawmakers had warned that Mr. Tillerson would face intense scrutiny over his two-decade relationship with Russia, which awarded him its Order of Friendship in 2013, and with Mr. Putin. The hearings will also put a focus on Exxon Mobil's business dealings with Moscow. The company has billions of dollars in oil contracts that can go forward only if the United States lifts sanctions against Russia, and Mr. Tillerson's stake in Russia's energy industry could create a very blurry line between his interests as an oilman and his role as America's leading diplomat. Mr. Tillerson has been publicly skeptical about the sanctions, which have halted some of Exxon Mobil's biggest projects in Russia, including an agreement with the state oil company to explore and pump in Siberia that could be worth tens of billions of dollars.

Senator John McCain, Republican of Arizona, said on Saturday that Mr. Tillerson's connections to Mr. Putin were "a matter of concern to me" and promised to examine them closely if he were nominated.

"Vladimir Putin is a thug, bully and a murderer, and anybody else who describes him as anything else is lying," Mr. McCain said on Fox News.

Mr. Trump has fanned speculation about his choice for secretary of state for weeks. In the end, he discarded not only Mr. Giuliani and Mr. Romney, but also an endlessly changing list that at times included Senator Bob Corker, Republican of Tennessee; David H. Petraeus, the former Army general and C.I.A. director; and Jon M. Huntsman Jr., the former Utah governor and presidential candidate in 2012.

Mr. Romney, Mr. Petraeus and Mr. Corker, the three leading runners-up, all received calls late Monday informing them of Mr. Trump's decision, according to people familiar with the president-elect's final choice.

Rex Tillerson, Exxon C.E.O., Chosen as Secretary of State

He settled on Mr. Tillerson, a deal maker who has spent the past four decades at Exxon, much of it in search of oil and gas agreements in troubled parts of the world. A native of Wichita Falls, Tex., who speaks with a strong Texas twang, Mr. Tillerson, 64, runs a company with operations in about 50 countries, and has cut deals to expand business in Venezuela, Qatar, Kurdistan and elsewhere.

If confirmed as secretary of state, Mr. Tillerson would face a new challenge: nurturing alliances around the world that are built less on deals and more on diplomacy.

That could prove to be a special test when it comes to Russia, where Mr. Tillerson has fought for years to strengthen connections through business negotiations worth billions of dollars. Under his leadership, Exxon has entered into joint ventures with Rosneft, a Russian-backed oil company, and donated to the country's health and social programs.

In his new role, Mr. Tillerson would have to manage the difficult relationship between the United States and Mr. Putin's Russia, including the economic sanctions imposed after Moscow intervened in Ukraine and occupied Crimea. Last month, President Obama and European leaders agreed to keep sanctions in place until Mr. Putin agrees to a cease-fire and to the withdrawal of heavy weapons from front lines in eastern Ukraine.

Other Republicans who have challenged Mr. Tillerson's potential selection include Senator Marco Rubio of Florida, who expressed concern in a Twitter post on Monday about his relationship with Mr. Putin.

Mr. Trump favored Mr. Giuliani, the former New York mayor, initially, but quickly grew weary of his penchant for drawing outsize media attention. Mr. Trump was also troubled by reports of Mr. Giuliani's business entanglements overseas. And some of the president-elect's closest advisers, including his son-in-law, Jared Kushner, saw Mr. Giuliani as a poor fit for the job.

That led to interest in Mr. Romney, who had called Mr. Trump a "fraud" and a "phony" during the campaign. Mr. Romney had also highlighted Russia as a danger to United States interests during the 2012 race.

Mr. Trump and Mr. Romney made peace, meeting twice and speaking periodically by phone. But some of Mr. Trump's advisers, including his last campaign manager, Kellyanne Conway, warned publicly in a series of television interviews that some of his supporters would quickly drift away if Mr. Romney were chosen for the job.

Mr. Tillerson emerged as a contender on the strong recommendations of James A. Baker III, the secretary of state under President George Bush, and Robert M. Gates, the former defense secretary, according to a person briefed on the process.

Mr. Kushner and Mr. Trump's chief strategist, Stephen K. Bannon, argued strongly for Mr. Tillerson, and the president-elect was intrigued. Mr. Trump met with Mr. Tillerson for more than two hours on Saturday at Trump Tower in Manhattan. To his aides, Mr. Trump described Mr. Tillerson as in a different "league" than his other options.

LETTER TO THE EDITOR

Dear SSDA-AT,

EPA's own data show that ground level ozone in the U.S. declined 32 percent since 1980 -- 17 percent just since 2000. With ozone emissions already dropping, new regulations finalized by the Obama administration last year are questionable even at a fraction of the likely cost. Previous regulations issued in 2008 were then the most stringent in history, and progress is continuing under those existing standards.

Without compelling scientific justification, EPA finalized regulations in 2015 to tighten the level of allowable emissions from 75 parts per billion (ppb) to 70 ppb, opening the possibility of new restrictions on virtually any economic activity and potentially placing even rural, undeveloped areas out of compliance. For example, peak ozone levels in Yellowstone National Park have been recorded at 66 ppb. EPA's new rule increased the number of counties potentially facing non-attainment status from 217 to 958 – a fourfold increase.

To comply with standards approaching or below naturally occurring levels of ozone, states could be required to restrict everything from manufacturing and energy development to infrastructure projects like roads and bridges. In some cases, federal highway funding can be withheld. A collection of 269 business groups -- made up of manufacturers, builders, contractors, road construction groups and chambers of commerce across the nation – warned EPA of the potential impact, explaining that the 2015 regulations would "make it difficult to manufacture products, build new projects, produce energy, improve infrastructure and hire the workers needed to make this all happen."

Saddling states with that kind of burden is not the way to create jobs or jumpstart the infrastructure construction and manufacturing activity that can boost local economies. And it's not the way to maintain strong oil and natural gas production, which has generated economic growth and supplied homes and businesses with reliable, affordable energy.

Technological innovation and industry efforts can continue to make progress in reducing emissions without costly government regulations that jeopardize economic growth and energy security.

Sincerely,

Jack Gerard
President and CEO
API

The EPA will likely conclude fracking doesn't affect drinking water

The Environmental Protection Agency may soon dispel one of the green movements favorite myths: That fracking contaminates drinking water.

In the coming days, the EPA will finalize a 2015 report that found no link between fracking and "widespread, systemic impacts on drinking water." If the agency's final position hasn't been co-opted by the environmental movement, as many other recent federal agency findings have, it should lay to rest the concern over fracking and groundwater.

The finding is hardly revolutionary. Years of scientific studies have confirmed the safety of fracking.

The 2015 EPA analysis was an extensive, five-year compilation of nearly 1,000 different data sources—including science and engineering journals, government studies and peer-reviewed EPA reports. Thomas A. Burke, an EPA science adviser, was quoted as calling it the "most complete compilation of scientific data to date.

A new "study of the study" by Catalyst Environmental Solutions fully confirms the EPA's findings. After analyzing a wide range of case studies and scientific reports, researchers concluded, "If there was a significant correlation between impaired drinking water resources and hydraulic fracturing, that connection would be manifested in the areas that EPA evaluated."

In other words, if there were any truth to the claim that fracking contaminates water, the EPA's study would have found it. Unfortunately, not everyone is happy with that conclusion.

Earlier this year, scientists at the University of Cincinnati completed a three-year study concluding that fracking had no harmful effects on groundwater in the Utica Shale area. Alarmingly, however, the head researcher was initially planning to withhold the results from the public, conceding that the primary funders "feel that fracking is scary" and "were hoping this data could be a reason to ban it."

Also this year, the Wyoming Department of Environmental Quality completed a 30-month study of water supplies in Pavillion Gas Field. The agency found no evidence that "hydraulic fracturing fluids have risen to shallow depths intersected by water-supply wells."

Meanwhile, a 2015 study conducted by the California Council on Science and Technology and Lawrence Berkeley National Laboratory found no "documented instances of hydraulic fracturing or acid simulations directly causing groundwater contamination in California."

While there may have been occasional isolated instances of water contamination, those are generally a result of human error and seldom related to the fracking process. The EPA study cites as an example, "a truck carrying wastewater could spill …." But the agency concludes, "the number of identified cases, however, was small compared to the number of hydraulically fractured wells."

The reason fracking is safe lies in the process. Fracked wells generally drill down 5,000 to 6,000 feet, which means about a mile of rock separates the shale deposit and any human water source.

Moreover, wells are specifically constructed to avoid water contamination. Gas wells have multiple layers of cemented steel piping and employ backflow preventers to ensure liquids can flow in only one direction. Well sites also include special liners, storage tanks with back-up protection measures, and special barriers to contain oil and gas. And every drilling project is heavily regulated by federal agencies.

The EPA's report couldn't come at a better time. Fracking critics have convinced two states, New York and Vermont, to ban fracking, and Maryland has imposed a moratorium on the process. In addition, dozens of cities have banned fracking. One of the critics' most potent argument is that fracking will pollute drinking water. But that's not what the EPA concluded.

Obama Decision to Block Arctic Drilling 'Stunning,' Says Alaska Delegation

Continued from page 13

entists to monitor and explore the impacts of climate change."

The withdrawal does not affect existing leases and would not affect a nearshore area of the Beaufort Sea, totaling about 2.8 million acres, that has high oil and gas potential and is adjacent to existing state oil and gas activity and infrastructure, according to the Department of the Interior. That area will be subject to additional evaluation and study to determine if new leasing could be appropriate at some point in the future. Interior's five year offshore leasing program for 2017-2022 does not include lease sales in either that area or in the withdrawn areas, the agency said.

The announcement was widely hailed by environmental groups, but reaction from others was largely negative.

"This action by President Obama in his last days in office is another disturbing example of short-sighted policy decisions made by the administration to limit access to oil and natural gas on federal lands; it is the kind of policy that flies in the face of his own calls for a diverse all-of-the-above energy strategy," said the American Chemistry Council. "American manufacturers rely on secure and affordable energy supplies to compete globally. Yet, with this action the Administration has chosen to take sizable deposits of oil and gas off the table, which will eventually place upward pressure on prices and put America's ability to compete in global markets in jeopardy."

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Published monthly by the Service Station Dealers of America and Allied Trades, ©