

# DENVER BUSINESS JOURNAL

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## Beatty blasts Ritter policy

Denver Business Journal - by [Cathy Proctor](#) Denver Business Journal

A longtime Democrat and oil and gas industry attorney blasted Gov. Bill Ritter and his administration for pushing regulatory and tax policies that he said ultimately would hurt what has become the state's largest industry.

In a sharply worded speech at the Colorado Oil and Gas Association's annual natural gas conference July 9, attorney Michael Beatty -- who once served as a top aide to former Democratic Gov. Roy Romer -- said Ritter's administration is hostile to an industry that employs 70,000 people and generates \$23 billion for the economy.

Beatty, a shareholder with **Beatty & Wozniak PC**, said the stance of Colorado's top officials -- pledging leadership while denigrating the state's leading industry -- mirrors the partisanship at the national level that has led to a disconnected national energy policy.

"We maximize our demand for energy, while we minimize our domestic supply. We buy what we need from people who hate us, with money we borrow from China, and we defend this policy, by force of arms, primarily with the lives of other people's children and loved ones," Beatty said.

"This is not a policy to be proud of."

Colorado has both a strong environmental tradition and a huge untapped resource in natural gas, and should be leading the nation on a new path toward energy independence, with the industry, environmentalists and politicians working cooperatively, he said.

But it's not.

"We are fighting," Beatty said. "Coloradans are clearly conflicted, emotionally and intellectually, about embracing the natural gas industry -- especially after the energy bust of the 1980s -- but, even worse, our current state administration is exploiting people's worst fears instead of providing leadership to bring us together."

Beatty's remarks drew enthusiastic applause from the oil and gas executives at the July 9-11 conference at the Colorado Convention Center.

"I thought that he said things that needed to be said and that he's in a position to say, because he's a leading Democrat," said Fred Julander, a longtime Denver oil and gas executive and president of **Julander Energy Co.** He's also chairman of the conference.



Michael Beatty.

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Peter Dea, a Denver oil and gas executive who has led high-profile local companies, including **Barrett Resources** and **Western Gas Resources**, and served as chairman of the **Metro Denver Economic Development Corp.**'s energy committee, called Beatty's speech "precisely on point."

"There's an unfortunate polarization between the administration and the single most important industry in the state," said Dea, who is president and CEO of Cirque Resources LP. "The administration seems to refuse to acknowledge the importance of the industry."

Beatty said the industry shares some of the blame for the hostility because it hasn't made an effort to share information about its role and operations until recently.

"We're as much at fault as the administration," Beatty said. "We only get on our hind legs and speak when the survival of the industry is at stake. We need to address the problem with information."

But Beatty saved his harshest criticism for Ritter's administration, saying it consistently minimizes the importance of Colorado's natural gas industry and sidelined its representatives during the early, critical phases of the massive rewrite of oil and gas operations rules that's currently under way.

The new rules, first unveiled in November 2007 after months of preparation by state regulators, are intended to protect Colorado's wildlife and environment, according to supporters.

But the oil and gas industry has said the proposals would limit operations too severely, force cuts in production, shift millions of dollars of investment away from Colorado and cost thousands of jobs.

Asked July 7 about the industry's assertions about the proposals' impacts, Ritter called for patience during a media conference call from Spain -- where he's pursuing international interest in Colorado's fledgling renewable energy sector.

"Be patient until the rules are finally written," Ritter said during the call. "I believe at the end of the day, the natural gas sector will thrive in Colorado and will continue to produce at significant rates. We view natural gas as a significant sector and also view extractive industries as important to Colorado's economy."

"But we must reconcile the impact, and we believe there's a way to balance production and air and wildlife and local communities."

Beatty's speech also took aim at Ritter's oft-repeated statement that he wants a "thriving" oil and gas economy.

"He only opposes two things about our industry," Beatty said. "The production of natural gas anywhere in the state and its consumption for any purpose. Other than that, he is apparently all for us. ..."

"All we ask is for a seat at the table. Working together, we can develop the kind of bipartisan energy policy that will allow Colorado to lead the way to a real New Energy Economy."

Afterward, several executives shook his hand and thanked him for saying "what a lot of people want to say."

Beatty said he expects to get angry phone calls from Democratic colleagues.

"I'll say, 'There was no other way we could get your attention,'" Beatty said, and paused for a long moment. "This was hard for me to make a decision to say publicly what all of us have felt for months.

"This is a message I've believed in for decades. I believe there's a massive amount of disinformation about natural gas in the state and the country. Someone has to say 'get us together,' and the state is the leader," Beatty said. "There's no reason for the hostility, the anger and the animosity. Any one who sits down and talks about this will realize that natural gas is good for the economy."

**Here is the text of Beatty's speech:**

Many of you may recall the four days of rioting that erupted in Los Angeles in 1991 following the acquittal of the police officers who had been charged with using excessive force in the beating of Rodney King. Ultimately, King himself went on radio and television to plead with everyone to stop fighting and try to get along.

Seventeen years later we may not have the race issue beaten, but with the nomination of an African-American presidential candidate, we've at least come a long, long way.

Only a great country can make this kind of change, but I cannot help but be struck by the incredible difference in how our nation has been able bridge the racial divide yet remain paralyzed regarding energy policy.

The point I wish to make this morning is simple: All real progress is ultimately bipartisan. The Civil Rights Act was co-sponsored by leaders of both political parties, Everett Dirksen and Mike Mansfield. A Democratic president signed the bill, but southern Democratic senators led the filibuster against it. It took leadership from both sides to bring us together.

Bipartisanship is a commodity that has been sorely lacking in the discussion of energy policy. Our political parties have each acted like one-half of the law of supply and demand has been repealed. Republicans talk of supply access, but have resisted conservation measures. Democrats talk about CAFE standards and demand side management, but argue that any new drilling will always be too little, too late and too dangerous.

The net effect is that America has a bipartisan energy policy that is the worst of all possible worlds:

We maximize our demand for energy, while we minimize our domestic supply;

We buy what we need from people who hate us, with money we borrow from China; and

We defend this policy, by force of arms, primarily with the lives of other people's children and loved ones.

This is not a policy to be proud of.

But there are hopeful signs. Both presidential candidates now support a cap and trade system for carbon emissions. Many of you have probably also seen the TV ads of Nancy Pelosi and Newt Gingrich or Al Sharpton and Pat Roberson sitting side by side talking about the need for bipartisan action on climate change.

Colorado has a unique opportunity to show the nation how to work together. What gives our state this opportunity is that we have both a strong environmental tradition and a huge untapped resource of clean energy, which is natural gas. Both sides in the debate have a real opportunity to work together.

But we are not leading the way. We are fighting. Why? Many Coloradoans are clearly conflicted, emotionally and intellectually, about embracing the natural gas industry - especially after the energy bust of the 1980s - but, even worse, our current state Administration is exploiting people's worst fears instead of providing leadership to bring us together. Many in Colorado still don't understand, or refuse to accept three simple facts about natural gas:

First, using natural gas for stationary uses results in half the CO<sub>2</sub> emissions and virtually none of the sulfur dioxide, nitrogen oxide or mercury emissions of Colorado's current primary fuel source. Natural gas is the best option to provide the essential reliability for wind or solar to be viable.

Second, using natural gas as a vehicle fuel would cut fuel costs in half, cuts emissions by two-thirds, allow you to refuel at home and reduce vehicle maintenance costs.

Third, the cost of transporting natural gas will always make the closest gas market the best market because it results in a higher net back price for the producer at the wellhead. The transportation factor - the high cost and low capacity of gas pipeline transportation in the Rockies - is why our reserves traditionally sell at a substantial discount to the NYMEX price. This month that differential is well over \$4.00. Our huge reserve base in Colorado means that we can have plenty of natural gas for decades and provide the state with substantial jobs and economic benefits for years to come.

In short, the economic and environmental benefits to Colorado of choosing natural gas as a bipartisan solution are enormous, but we are starting this assembly feeling furious, frustrated and forgotten, and the primary reason is the active hostility of the current Administration.

If you don't believe me, look at the evidence. Consider, first, the fact that natural gas is not part of the current economic development vision of the State of Colorado.

Look at the recently filed sworn testimony of the current Director of Economic Development. The four pillars of Colorado's economic development are: Aerospace, bioscience, tourism and renewable energy. Natural gas, the current major economic engine in the state, has no role to play in Colorado's future.

But as a clean fuel, don't we have an essential role to play for the environment? Not in Colorado! Let's look at the Colorado Climate Action Plan. This sets forth, from the Governor's office, the various measures necessary to reduce greenhouse gases by 20% by 2020. You might logically expect natural gas to be front and center as a proposed solution in this document.

But natural gas is not the centerpiece of the various Climate Initiatives, in fact the section entitled Natural Gas is found on page 20, sandwiched between the section on utility rebates for using compact fluorescent light bulbs and the three-bin recycling program for solid waste.

While the Climate Action Plan does refer to natural gas a bridge fuel (which we will talk about in a minute) and acknowledges 16 Tcf of proven natural gas reserves in Colorado, the only action step recommended for this clean, abundant, affordable, American fuel is the need to reduce methane leaks. In short, in the plan to reduce CO<sub>2</sub> emissions, natural gas is viewed a problem, not a solution.

Coal, on the other hand, is vital to Colorado and "will remain an important part of our energy portfolio," but we must "dramatically accelerate federal investment in clean coal technology and "expeditiously resolve the hurdles to geologic sequestration." We apparently are willing to spend billions to try to make one fuel be as clean as natural gas, but we won't use the natural gas we have.

Why the difference? The report tells us that Clean Coal, the oxymoron title given to coal in the report, employs more than 2,000 people - most of them probably dues-paying members of the United Mine Workers of America. Well and good. But isn't natural gas also an important part of Colorado's economy? Well, you need to understand that you people are different. If you read the newspaper, you are a bunch of carpet-bagging, meth-head, double-wide dwelling, Texas millionaires. You certainly wouldn't want your daughter to bring a natural gas worker home, much less rely upon him to fuel the economy of the state!

Want more? Let's look at what has happened to the **Colorado Oil & Gas Conservation Commission**. First, the COGCC was reconstituted and packed with new members who are hostile to the industry. If you really believe truth is on your side, why would you feel the need to pack the agency with members harboring a preconceived agenda? Then the initial draft rules were written without a single industry participant or opportunity for input. When Dick Cheney did this, it caused a Senate investigation, but now it is the only way to get rules that are "fair and balanced." It was wrong when Dick Cheney did it, and it is just as wrong when Harris Sherman does it.

Let me give you a recent example of what the current COGCC is like. Our firm recently had a client who was ordered not to drill:

- (1) without any notice or an opportunity to be heard by the Commission;
- (2) even though its drilling plan had been approved by the Department of Wildlife;
- (3) on the basis of a complaint made by a person with no standing.

While the order was later reversed, it illustrates my simple point that our industry is under attack in this Administration.

Okay, we are not important to the economy, we have no role to play in cleaning up the environment and we are going to be unfairly harassed when we try to drill no matter what approvals we have received, but what about the idea that we are the bridge fuel to the future? Public Service Company has recently proposed retiring two coal fired electric generating units and replacing them with a "2 on 1" natural gas fired combine cycle plant. The Governor's Energy Office has filed sworn testimony regarding his view of natural gas, which the witness describes as "the most important point in the testimony." He tells us that relying on natural gas could lead to electric shortages with dire consequences, similar to South Africa, and that conservation is a better answer than "unreliable natural gas plants."

How can a fuel that is clean, abundant, affordable and American become the e-bola virus of Colorado's fuel choices? How can anyone believe the Governor when he says he wants the natural gas industry to thrive in his New Energy Economy? He only opposes two things about our industry: The production of natural gas anywhere in the state and its consumption for any purpose. Other than that, he is apparently all for us.

If it weren't for the wellbeing of our state's economy, the welfare of the nation and the survival of the planet, this hostility would be tragically amusing.

Now, having made the Administration furious with me, let me do the same to you. Please listen to this because it is just as important as what I've said earlier. As misguided as these positions and beliefs are, we are as much at fault for this situation as the Administration. Our industry only speaks when its

survival is threatened. Secretly, every time an energy story hits the newspaper, you pray that Lindsay Lohan or Britney Spears will go to rehab so everyone will leave us alone. We avoid discussions with those who oppose us and, instead, commiserate among ourselves about how wrong they are. This Administration's attitude, and the attitude of many Coloradans, represents woeful ignorance about our industry as much as willful malice, and we need to address that problem with information, not anger, and certainly not our silence.

People don't understand the new data showing the growing amount of domestic natural gas reserves; they remain locked in the era of Fuel Use Act, when people believed there was a sharply declining supply.

My point is not to say that we need a new governor. We need to educate the one we have. We shouldn't say we need to get a new Administration every time we encounter opposition. Every Bill O'Reilly begets a Keith Olberman. That is the well-trod path to polarization, not progress. We have been stuck in the rut of partisanship for decades. Roy Romer taught me one valuable lesson when I was honored to be his Chief of Staff. Colorado is at its best when it plays politics within the 40 yard lines and the real leaders of both political parties know that.

Colorado is now a major energy producing state, and our industry has an obligation to be active citizens as well as good businessmen. We need to actively engage in the public discourse, and our first message should be that there is not a single company or individual in this room who is indifferent or uncaring about wildlife, water quality, scenic vistas or the health, safety or public welfare of this state. Our second message, equally important, is that clean, abundant, affordable and American natural gas is the best way to protect and preserve that same health, safety and public welfare.

That is why I chose Rodney King to start this speech. He had more right than anyone to be hostile, angry and bitter. Instead he implored people to stop fighting. There are lots of people right now who are hostile to this industry and I'm sure it helps poll numbers to take a shot at us. We must answer their invective with information, their bile with our brio, and their damnation with data. All we ask is for a seat at the table. Working together we can develop the kind of bipartisan energy policy that will allow Colorado to lead the way to a real New Energy Economy.

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