

Subject: An Oil Mans view

Bill spent nearly 50 years in the US oil and gas industry; most of his career was with the Phillips Petroleum Company. Bill is a descendant of Frank Phillips. Frank Phillips, along with his brother Lee Eldas (L.E.) Phillips, Sr., founded the original Phillips Petroleum Company in 1917 in Bartlesville, OK. Do you remember Phillips 66 gas stations? Phillips Petroleum Company merged with Conoco, Inc., in 2002 to form the current ConocoPhillips oil company.

So, when Bill talks about oil and gas issues, I tend to listen - very closely. I think that you will find Bill's thoughts and facts very revealing, very compelling and very difficult to argue with.

As you prepare to cast your crucial ballots this Fall, please think long and hard about the far-reaching, cumulative effects of the US political philosophies, policies and legislation that have contributed to the current and future US oil supply situation.

May 28, 2008

'Big Oil'

Did you know that the United States does NOT have any big oil companies? It's true: the largest American oil company, Exxon Mobil, is only the 14th largest in the world, and is dwarfed by the really big oil companies--all owned by foreign governments or government-sponsored monopolies--that dominate the world's oil supply.

With 94% of the world's oil supply locked up by foreign governments, most of which are hostile to the United States, the relatively puny American oil companies do not have access to enough crude oil to significantly affect the market and help bring prices down. Thus, ExxonMobil, a 'small' oil company, buys 90% of the crude oil that it refines for the U.S. market from the big players, i.e., mostly-hostile foreign governments. The price at the U.S. pump is rising because the price the big oil companies charge ExxonMobil and the other small American companies for crude oil is going up as the value of the American dollar goes down. They will eventually bleed this country into printing even more money and we will go into runaway inflation once again as we did under the Carter Democratic reign.

This is obviously a tough situation for the American consumer. The irony is that it doesn't have to be that way. The United States--unlike, say, France--actually has vast petroleum reserves. It would be possible for American oil companies to develop those reserves, play a far bigger role in international markets, and deliver gas at the pump to American consumers at a much lower price, while creating many thousands of jobs for Americans. This would be infinitely preferable to shipping endless billions of dollars to Saudi Arabia, Russia, and Venezuela to be used in propping up their economies.

So, why doesn't it happen? Because the Democrat Party--aided, sadly, by a handful of Republicans--deliberately keeps gas prices high and our domestic oil companies small by putting most of our reserves off limits to development. China is now drilling in the Caribbean, off Cuba, but our own companies are barred by law from developing large oil fields off the coasts of Florida and California. Enormous oil-shale deposits in the Rocky Mountain States could go a long way toward supplying American consumers' needs, but the Democratic Congress won't allow those resources to be developed. ANWR contains vast petroleum reserves, but we don't know how vast, because Congress, not wanting the American people to know how badly its policies are hurting our economy, has made it illegal to explore and map those reserves, let alone develop them.

In short, all Americans are paying a terrible price for the Democratic Party's perverse energy policies. I own some small interests in tiny, 4 barrel-per-day oil wells in Wyoming. We have 14 agencies that have iron-hand jurisdiction over us. If we drop any oil on the ground when the refinery truck comes to pick up oil from our holding tanks, we are fined. Yet down the road the state will spray thousands of gallons of used oil on a dirt road to control dirt. When it rains, that oil runs into rivers and creeks. Yet a cup of oil on the ground at our wellhead is a \$50,000

EPA fine plus additional fines from state regulating agencies. They treat oil as if it were plutonium that has the potential to leak into the environment. We are fined if our dirt berms are not high enough around a holding tank, yet the truck that picks up our oil runs down the road at 60 mph with no berm around it. People wonder why there is no more exploration in this country. It's because of the regulators; people who have lived their whole lives doing nothing but imposing fines on small operators like us for doing mostly nothing.

So, America, enjoy your \$4.00 per gallon gasoline. Your dollar is now worth 0.62 Euro-Cents. The lack of American production of GNP, the massive trade deficit (as labor markets have moved overseas to fight insanely high union imposed labor costs in America) and the run away printing of money (backed by nothing of value here in America) has caused the dollar to become more worthless on the international market. And that's where our oil comes from. It's paid for with dollars that become more worthless everyday. If we had just kept par with the Euro, we'd be paying \$62 dollars per barrel for oil (42 gallons) or about \$1.50 instead of \$2.50 a gallon for crude oil.

What the US government also does not tell you is that it is the leaseholder and royalty recipient of most oil production, and receives 25% of the gross oil sales before we pay for electricity to lift the oil, and propane to keep the oil-water separators from freezing in the winters. We pay a pumper to visit each well every day plus we have equipment failures all the time. We pay for that out of our 75% of gross sales. The government does not share in any expenses to run any production well. So, if the Big Oil Companies are making record profits, then so is the federal government from its 25% tax on every molecule of oil sold to a refinery in this country. Why isn't the government on the stand for 'record' profits? What you don't see is this 25% of the sales price of crude oil being siphoned away by the government. That money, plus the road taxes, state taxes, etc., amounts to over \$1 per gallon of gasoline you are buying while the governments only admit to about 50 cents per gallon.

To all you Democrats, when you go vote for your candidate, a blazing liberal like Barrack Hussein Obama or Hillary Clinton, just keep in mind that their liberal spending habits will further decrease the value of the American dollar on the world market and your gasoline costs will hike even higher. As they introduce more give-away programs, raise taxes on everyone to pay people not to produce or work, your dollar will continue to dwindle on the world market and you will be paying \$10.00 per gallon at the next election. Cheap hydrocarbon fuel is all over. Enjoy! Enjoy the fruits of your decision to elect these folks when you are there in that voting booth and you stab your pin through a Democrat's name.

William 'Bill' Phillips