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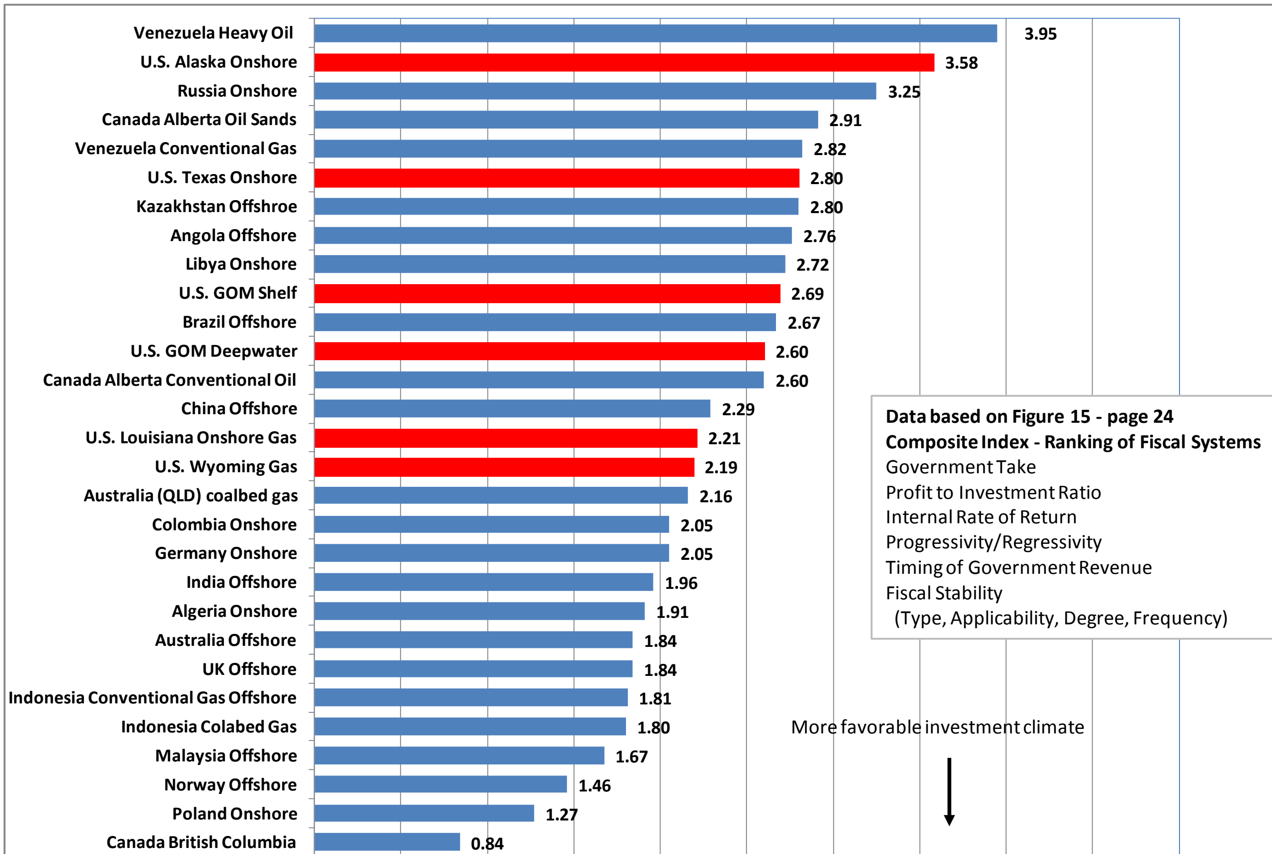
Composite Index *Global Rating and Ranking Fiscal Systems for Oil and Natural Gas Upstream Investment*



Source: IHS-Cera, (October 2011) ***Comparative Assessment of the Federal Oil and Gas Fiscal System***
Study sponsored by Bureau of Ocean Energy Management (BOEM) and Bureau of Land Management (BLM)

IHS-CERA recently analyzed the relative competitiveness of U.S. oil and natural gas investment for the Department of the Interior (DOI). In their global composite ranking of fiscal terms and regulatory risk factors of 29 potential investments, all U.S. jurisdictions are in the middle or in the top half of the index, indicating less favorable terms for potential investment.

http://www.blm.gov/wo/st/en/prog/energy/comparative_assessment.html

The president professes to support an "all of the above" energy strategy. However, evidence demonstrates that the U.S. oil and natural gas investment climate lags behind other opportunities worldwide, as the administration acts to make U.S. oil and gas investments LESS attractive, through actions such as:

- Instructing 10 different government agencies to investigate/develop additional requirements governing hydraulic fracturing;
- Proposing $85 billion in new taxes on the oil and natural gas industry in his 2013 budget;
- Slowing down oil and gas permitting and leasing rates, both onshore and offshore;
- Excluding areas like offshore Virginia from the 5-year lease sale plan, despite bi-partisan state/local support;
- Increasing the minimum bid for deep water leases, shortening lease terms, and proposing increased royalty rates for onshore where large numbers of small operators are active. All of this relates to the increased taxation issue – making U.S. projects less attractive from an investment standpoint.