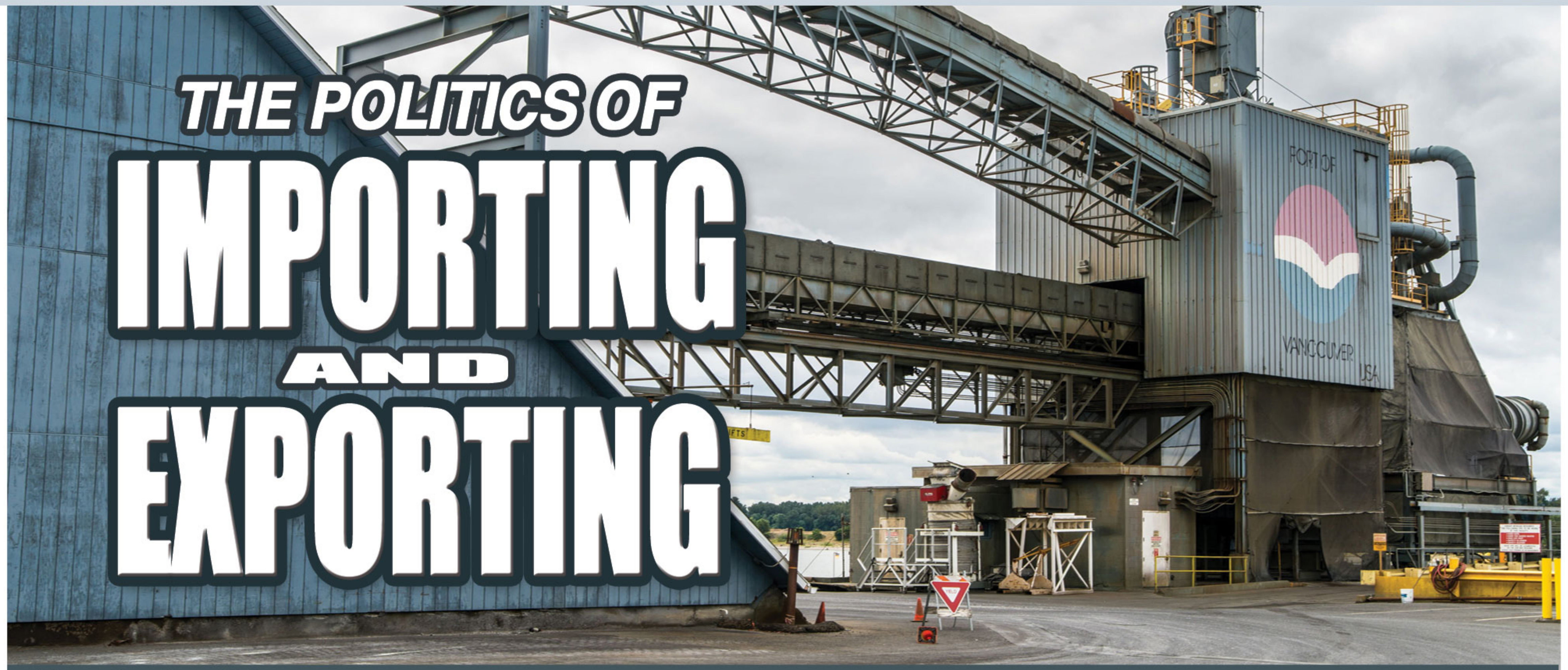

THE POLITICS OF IMPORTING AND EXPORTING

Written By: Jason Spiess

The recent drops in oil prices have created many conversations in many areas of revenue production. One in particular is importing and exporting energy products. This topic is not new, just back in the public discourse spitballing of revenue generation ideas continue.

It is however, one of the more hot button topics in the world of oil and gas. Depending on which board room you are sitting in, the answers are all over the board and generally filled with passion and gusto.

I remember in November of 2013 talking importing and exporting with then CEO and Chairman of ONEOK, John Gibson. He was extremely calm and as a matter-of-fact regarding his stance. It was refreshing.

"Like other products, for example propane, we export propane as a country because there's a need," Gibson said. "So the same should be true for natural gas as well as any other energy product, or, for that matter any product that US producers can compete in."

I always remembered that moment in importing and exporting talk. I kinda made it my foundational pillar or thesis. Back then there was $100-barrel oil and the shale revolution was firing on all cylinders. Since then, oil prices have dropped while countries and companies are looking at ways to replace future revenues and current operating costs.

U.S. oil supply has increased by 66 percent in the past five years, and a majority of that growth is in light oil from shale rock.

"Currently the United States prohibits crude oil so those markets are not accessible. India for example, its not a commonly known fact that India put on a refinery three years ago that makes over a million-barrels-a-day, refines over a million-barrels-a-day. So there going to to feed that," Kelly Wilkins, senior vice president, Bridger Company, "You can make the case that that refinery could have been built in the United States, where the markets are. We do receive in the United States gasoline from that refinery in India because its a global market. There's a lot of people in Asia and more and more people in China are buying bigger cars so you are going to have a huge demand there. How do you feed it?"

Wilkins believes there is enough of a supply and demand and it is in the hands of Washington.

"The crude oil it's up for debate. It's got to get approved. I don't know which agency regulates that but Congress has to say we're going to change the policy we have. I don't know you tell me how quickly things move in Washington and that will kind of set your timeline," Wilkins said. "Hopefully it'll curve in the next 10 years regardless of the political party, its just a perspective. And that's the biggest challenge. Its not a Republican or Democrat issue. We live in a country where people are intimately involved developing resources creating goods and services and then there are people who are not engaged in that that and see it different perspective. So I think it is incumbent on us to show everybody much the world has changed then come to a common understanding then consensus easy at that point."

A couple of recent signs are showing the potential change coming with the importing and exporting laws. The 40-year old ban on most U.S. crude exports is set to be tweaked after Petroleos Mexicanos, Mexico's state-owned oil company, asked the U.S. Commerce Department to import 100,000 barrels a day of light crude. Oil producers Exxon Mobil Corp. and Continental Resources Inc. have publicly asked the U.S. to end the restrictions, citing a surplus of domestic output reduces the need to keep supplies at home.

Robert Bryce, senior fellow, Manhattan Institute, Austin, Tx, thinks politics gets in the way of markets way too often in the importing/exporting business. My stance on importing and exporting is the market will find the best levels with all of that. You know its funny a few years ago, six years ago, eight years ago, energy independence this was the big cry. We need more corn ethanol, we need more of this, we cannot depend on the Saudis, and all these other things. And look what happened. Remarkably due to market forces market forces, not government edict, but entrepreneurs and people operating in Texas, North Dakota and elsewhere said we can drill in shale and produce oil and gas and make money at it," Bryce said.

"So no government here, in fact, in many cases under the Obama administration is was active government hostility and yet what's happened?

Oil production is up more than 30% in the last few years, natural gas the same. It's an unbelievable turn of events. So when it comes to the issue of imports and exports the US is already exporting roughly 4-million-barrels-per-day of refined products. We are one of the biggest oil exporters in the world. Do we still important lot? Sure we do, but we import and export a lot of things. We're a country in theory of free markets and free people. Why would we ever want to be independent of the world's biggest market the energy market we need to be inter-dependent in the marketplace, not independent."

This may seem easier than one might think. The production of shale oil relies on the availability of suitable drilling rigs and skilled labor. This, along with established infrastructure are a few of the reasons why the shale revolution has been difficult for other countries to copy. As of March 2014, shale oil accounted for almost half of US oil production, but only about a quarter of the total quantity of oil used by the US economy.