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Big Oil Steps Aside in Battle Over Arctic

By JEFF GERTH

WASHINGTON, Feb. 20 - George W. Bush first proposed drilling for oil in a small part of the Arctic National Wildlife Refuge in Alaska in 2000, after oil industry experts helped his presidential campaign develop an energy plan. Five years later, he is pushing the proposal again, saying the nation urgently needs to increase domestic production.

But if Mr. Bush's drilling plan passes in Congress after what is expected to be a fierce fight, it may prove to be a triumph of politics over geology.

Once allied, the administration and the oil industry are now far apart on the issue. The major oil companies are largely uninterested in drilling in the refuge, skeptical about the potential there. Even the plan's most optimistic backers agree that any oil from the refuge would meet only a tiny fraction of America's needs.

While Democrats have repeatedly blocked the drilling plan, many legislators believe it has its best chance of passage this year, because of a Republican-led White House and Congress and tighter energy supplies. Though the oil industry is on the sidelines, the president still has plenty of allies. The Alaska Congressional delegation is eager for the revenue and jobs drilling could provide. Other legislators favor exploring the refuge because more promising prospects, like drilling off the coasts of Florida or California, are not politically palatable. And many Republicans hope to claim opening the refuge to exploration as a victory in the long-running conflict between development interests and environmentalists.

The refuge is a symbol of that larger debate, said Senator Lisa Murkowski, an Alaska Republican who is a major supporter of drilling. Opponents agree. "This is the No. 1

environmental battle of the decade," said Representative Edward J. Markey, Democrat of Massachusetts.

Whether that battle will be worthwhile, though, is not clear. Neither advocates nor critics can answer a crucial question: how much oil lies beneath the wilderness where the administration wants to permit drilling?

Advocates cite a 1998 government study that estimated the part of the refuge proposed for drilling might hold 10 billion barrels of oil. But only one test well has been drilled, in the 1980's, and its results are one of the industry's most closely guarded secrets.

A Bush adviser says the major oil companies have a dimmer view of the refuge's prospects than the administration does. "If the government gave them the leases for free they wouldn't take them," said the adviser, who would speak only anonymously because of his position. "No oil company really cares about ANWR," the adviser said, using an acronym for the refuge, pronounced "an-war."

Wayne Kelley, who worked in Alaska as a petroleum engineer for Halliburton, the oil services corporation, and is now managing director of RSK, an oil consulting company, said the refuge's potential could "only be determined by drilling."

"The enthusiasm of government officials about ANWR exceeds that of industry because oil companies are driven by market forces, investing resources in direct proportion to the economic potential, and the evidence so far about ANWR is not promising," Mr. Kelley said.

The project has long been on Mr. Bush's agenda. When he formulated a national energy policy during the 2000 campaign he turned to the oil industry for help. Heading the effort was Hunter Hunt, a top executive of the Hunt Oil Company, based in Dallas.

The Bush energy advisers endorsed opening a small part - less than 10 percent of the 19-million-acre refuge - to oil exploration, an idea first proposed more than two decades ago. The refuge, their report stated, "could eventually produce more than the amount of oil the United States now imports from Iraq."

The plan criticized President Bill Clinton's energy policies, both in the Middle East, where most of the world's oil lies, and in the United States. In 1995 Mr. Clinton vetoed legislation that authorized leasing in the Alaska refuge. An earlier opportunity to open it collapsed after oil spilled into Alaskan waters in 1989 from the Exxon Valdez. Subsequent efforts, including one in Mr. Bush's first term, also failed.

Mr. Hunt, through an aide, declined an interview request. Others who advised Mr. Bush on his energy plan said including the refuge was seen as a political maneuver to open the door to more geologically promising prospects off the coasts of California and Florida. Those areas, where tests have found oil, have been blocked for years by federal moratoriums because of political and environmental concerns.

"If you can't do ANWR," said Matthew R. Simmons, a Houston investment banker for the energy industry and a Bush adviser in 2000, "you'll never be able to drill in the promising areas."

Shortly after assuming office, Mr. Bush asked Vice President Dick Cheney to lead an examination of energy policy. A May 2001 report by a task force Mr. Cheney assembled echoed many of Mr. Bush's campaign promises, including opening up part of the refuge. The report called for further study of the Gulf of Mexico and other areas. The next year, Mr. Bush said "our national security makes it urgent" to explore the refuge.

By then, the industry was moving in the opposite direction. In 2002 BP withdrew financial support from Arctic Power, a lobbying group financed by the state of Alaska, after an earlier withdrawal by Chevron Texaco. BP, long active in Alaska, later moved its team of executives to Houston from Alaska, a company executive said.

"We're leaving this to the American public to sort out," said Ronnie Chappell, a BP spokesman, of the refuge. About a year ago, ConocoPhillips also stopped its financial support for Arctic Power, said Kristi A. DesJarlais, a company spokeswoman.

Ms. DesJarlais said her company had a "conceptual interest" in the refuge but "a more immediate interest in opportunities elsewhere."

Other companies have taken similar positions. George L. Kirkland, an executive vice president of Chevron Texaco, said a still-banned section in the Gulf of Mexico, where the company has already drilled, was of more immediate interest. ExxonMobil also has shown little public enthusiasm for the refuge. Lee R. Raymond, the chairman and chief executive, said in a television interview last December, "I don't know if there is anything in ANWR or not."

For the Interior Department, however, the refuge is the best land-based opportunity to find new oil. Any lease revenues, estimated by the department to be \$2.4 billion in 2007, would be split between the federal and state governments. Advocates say oil production could reach one million barrels per day. In a decade from now, when the site might be fully developed, that would be about 4 percent of American consumption, according to federal forecasts.

David L. Bernhardt, deputy chief of staff to the secretary of the interior, cited a 1998 study by the United States Geological Survey estimating that the refuge might hold 10.4 billion barrels of recoverable oil. (The estimate for offshore oil is 76 billion barrels.)

But that study has significant weaknesses, which Mr. Bernhardt acknowledged. Its estimates are of "petroleum resources" - potential oil deposits - instead of "petroleum reserves," which refers to oil that has been discovered.

Ken Bird, a geological survey official who worked on the study, said the federal geologists did not have access to test data from the only exploratory well drilled on the refuge, by Chevron Texaco and BP in the 1980's. An official with one of the companies, speak-

ing anonymously because of the confidentiality of the test, said that if the results had been encouraging the company would be more engaged in the political effort to open the refuge.

There has not been much discussion about the refuge between the companies and the Bush administration, according to industry and government officials.

"I don't think I've talked to the oil industry over the last several years about the economic potential of ANWR," Mr. Bernhardt said.

The relationship between the administration and the oil industry has been a flashpoint for critics of Mr. Bush. Democrats, upset that Mr. Cheney refused to disclose information about his task force meetings with industry executives, see a cozy alliance.

Their concerns are heightened because of the former ties between the industry and Mr. Bush and Mr. Cheney and the administration's stance on issues like climate change. The president once headed a small exploration company, and Mr. Cheney previously was chief executive of Halliburton.

"Big oil," Senator John Kerry said in last year's presidential campaign, now calls "the White House their home."

Some industry executives say their views are more aligned with those of Republicans on a broad range of issues including regulation, the environment and energy supply, and they were heartened by the initial pronouncements of the Bush administration. But some say they feel let down by Mr. Bush's inability to lift bans on oil exploration.

"When this administration came in, the president and the vice president recognized there was a problem of energy supply and demand," said Tom Fry, the executive director of the National Offshore Industries Association. But Mr. Cheney's task force, Mr. Fry said, talked only about offshore drilling as something to be studied. "They never say they will lift the moratoria," he said.