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## National Capital Area Chapter

United States Association for

# Energy Economics

[www.ncac-usaee.org](http://www.ncac-usaee.org)

# news

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***“Global Natural Gas and LNG Markets - Promise out of Disarray”***

**Speaker:**

**Benjamin Schlesinger, Ph.D.  
President, Benjamin Schlesinger and Associates, LLC (BSA)  
Bethesda, MD**

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**WHEN:** 12:00 PM, Friday, September 18, 2009

**WHERE:** Chinatown Garden  
618 H St NW  
Washington DC 20001  
Gallery Place-Chinatown Metro Stop

Founding president of BSA, Ben specializes in natural gas and power marketing, pricing, infrastructure, trading practices, strategic planning, and infrastructure development worldwide. Since 1984, BSA has served more than 400 top utility, energy trading and producing, manufacturing, regulatory, private power, educational and financial services companies. BSA is currently preparing a world LNG market analysis for the UN Economic Commission on Europe, to be issued in 2010. Ben will review the rise in commodity trading of gas versus LNG on a global scale, and will speak to the effects of U.S. gas resources in shaping world markets. A former vice-president of the American Gas Association, Ben worked with Bechtel Corporation and DOE (ERDA), and received Ph.D. and M.S. degrees in Industrial Engineering (now, Management Science and Engineering) at Stanford University and his A.B. and B.E. from Dartmouth College. Ben is also a Managing Director of the Galway Group, L.P., Houston, TX.

***Please join us on Friday, September 18th at 12 noon at the Chinatown Garden restaurant for this opportunity to gain perspective on the direction of North American, European and Asian competition in moving global gas markets. We'll***

***begin networking at noon, with the lunch served promptly at 12:30 and the presentation beginning at 1 pm. The meeting will end no later than 2 pm. Cost is \$20.00 for members and their guests (\$5.00 for student members and their NCAC hosts!) and \$25.00 for non-members and their guests. Make checks payable to NCAC-USAAE.***

**PLEASE RSVP:** By COB Tuesday, September 15 to Mark Lively, Chapter Treasurer, by phone at (301) 428-3618 or e-mail at [mbelively@aol.com](mailto:mbelively@aol.com).

## **OCTOBER LUNCHEON**

“Recent Energy and Environmental Analysis from the EIA”  
Richard G. Newell  
Administrator, Energy Information Administration  
October 16

Dr. Newell is on leave from his position as the Gendell Associate Professor of Energy and Environmental Economics at Duke University’s Nicholas School of the Environment. Previously he served as the Senior Economist for energy and environment on the President’s Council of Economic Advisers. He also spent many years as a Senior Fellow at Resources for the Future (RFF), an independent, non-partisan environmental and resource economics research institution in Washington, DC. He has published widely on the economics of markets and policies for energy, the environment, and related technologies, particularly alternatives for reducing greenhouse gas emissions and achieving other energy and environmental goals. Prior to his confirmation, Dr. Newell was a Research Associate of the National Bureau of Economic Research, a University Fellow of RFF, and on several boards including the Journal of Environmental Economics and Management, the journal Energy Economics, the Association of Environmental and Resource Economists, and the Automotive X-Prize. He has served on several National Academy of Science expert committees related to energy, environment, and innovation. Dr. Newell holds a Ph.D. from Harvard University in environmental and resource economics. He also holds a Master in Public Affairs (M.P.A.) from Princeton’s Woodrow Wilson School of Public and International Affairs, and a B.S. in materials engineering and a B.A. in philosophy from Rutgers University.

## **THE ROCK OIL TOUR – AUGUST 21-22!**

We had 43 people travel to Titusville for the NCAC Rock Oil Tour 2009. You can read about it in the International Oil Daily issue of August 27. I have seen comments from others, but here is what I learned on the tour:

- Physics/chemistry—Petroleum is a mixture of chemicals with such varying properties as Vaseline and gasoline and natural gas. Each site has a different mixture of these chemicals and thus the petroleum is almost unique to each site.

- History—The distillation process used to separate petroleum into its chemical components existed before Drake’s Well, being used to separate animal and vegetable fats into their chemical components, which was necessary to produce kerosene for lighting lamps.
- Economics 1—The gasoline component of petroleum was initially considered to be a waste product and dumped into the rivers, because people only wanted or needed the kerosene component.
- Economics 2—The oil supply booms drove down the price of crude from \$20/bbl to as little as \$0.10/bbl. Edison’s development of the electric light also drove down the demand for kerosene and thus for crude. Ford’s development of the assembly line for cars created a demand for the gasoline byproduct and drove up the demand and price for crude.
- Economics 3—The pricing boom and bust I wrote<sup>1</sup> about in regard to West Texas electricity prices being negative due to the excess of wind power has been experienced many times before in the energy arena.

Mark Lively  
NCAC Treasurer

Adam Sieminski, the originator of the Rock Oil Tour, developed the following release about the tour, some of which appeared in the International Oil Daily issue of August 27.

#### Titusville or Bust

Nearly 50 oil history buffs set off for an education-packed bus ride from Washington, D.C., early on Aug. 21, heading for Oil City and Titusville, Pa., the birthplace of the modern oil era exactly 150 years ago on Aug. 27, 1859. The Rock Oil Tour 2009 two-day excursion was hosted by the National Capital Area Chapter of the U.S. Association for Energy Economics. “There are a quite a few members in our chapter with a passion for energy history and our industrial heritage” said Adam Sieminski, Deutsche Bank energy analyst, who helped organize the trip along with Michelle McCaughey from the American Petroleum Institute (API), John Jennrich, from the Federal Energy Regulatory Commission, who volunteered to be the official photographer, and NCAC treasurer Mark Lively, at Utility Economic Engineers.

The six-hour trip from Washington to the Pennsylvania oil region was enlivened by a series of videos presented by Bruce Wells, executive director of the American Oil and Gas Historical Society (AOGHS), covering the early days of oil development in Pennsylvania, Oklahoma and Texas. The group learned how whale oil and coal oil gave way to rock oil as Col. Edwin Drake made drilling for oil practical by coming up with the innovation of casing his cable-tool drilled well with iron pipe. John Felmy, from the API, gave a short lecture on one of the next big technical breakthroughs, the Tidewater Pipeline, built in 1878-79 from the Bradford field to Williamsport, Pa. This

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<sup>1</sup> “Renewable Electric Power—Too Much of a Good Thing: Looking At ERCOT,” *Dialogue*, United States Association for Energy Economics, 2009 August. If you want a copy, send me an e-mail.

was the first true long-distance (6-inch diameter, 109 miles) pipeline that eventually helped open up the East Coast markets for safer and less expensive energy for lighting.

After the lunch stop on Friday, our crew was kept fully alert as they tried to complete the Oil Industry Folklore Quiz handed out Branko Terzic and concentrated on a rousing testimonial to the medicinal value of petroleum products from Sarah McKinley. Upon arrival in Oil City, the group was welcomed by the staff of the Venango Museum, dedicated to the preservation and conservation of the oil region's industrial legacy and rich cultural history, including its beautiful beaux arts building. That evening, Wells outlined the efforts underway at the AOGHS to encourage the preservation of the history of U.S. oil and natural gas exploration and production. The Society provides advocacy for museums and other organizations across the entire United States that work to preserve that rapidly disappearing early history through exhibitions, material preservation and educational programming.

On Saturday morning, Marilyn Black, of the Oil Region Alliance, joined the tour to provide a running commentary as the group explored the Oil Creek Valley. First stop was the McClintock Well No. 1, spudded in 1861 and believed to be the oldest well in continuous production in the world. These days, the well is only pumped a few times a year, produces more brine than crude, but supplies enough crude for souvenir bottles sold at the celebrated Drake Well Museum. After visiting the impressive memorial to Drake that was erected in Woodlawn Cemetery by his friends, the group saw the Titusville homes of John Mather, a famous oil region photographer who recorded the early days of the oil boom in Pennsylvania, and Ida Tarbell, a journalist, writer and social reformer known for her articles against big business and often credited with starting the movement that ultimately caused the dissolution of the Standard Oil Trust.

At the Drake Well Museum, Susan Beates, a curator and historian, led a tour of the grounds and buildings. The museum tells the story of the beginning of the modern oil industry with operating oil field machinery and historic buildings in a beautiful park setting. Standing in the historically accurate replica of Drake's first well was a highlight of the trip. "We ended our tour to the area with a talk by regional experts at the oil ghost town of Pithole," said Sieminski. Pithole went from woods, to a town of 15,000 people and back to woods again in the space of about two years in the mid-1860s, according to the exhibits at the Pithole Visitors Center. "It was a perfect reminder of the boom-and-bust, precarious and often controversial nature of the oil business," Sieminski noted.

Joe Dukert and Larry Spancake made the front cover of Oil City's newspaper on Saturday morning in a feature article on the NCAC tour. Sara Banaszak was widely praised for coming up with the "Rock Oil Tour 2009" baseball cap that served as our admission ticket at all the stops. Adam claims to have been particularly impressed with an early description that turned up of our beloved first President, George Washington, as one of the nation's early 'oil speculators' who bought land in what is now West Virginia because it was known to have oil seeps. Mark Lively couldn't get over the fact that the gasoline component of petroleum was initially considered to be a waste product dumped into Oil Creek, because early refiners only wanted the kerosene cut. John's

photos from the trip will be posted on the web soon, and in the meantime we have a great video from Kevin Book who says he is still sorting through the voluminous video footage he shot- but he has already loaded a short clip on hydraulic fracturing in its early days that made an explosive impression on him.

[http://kevinbook.com/vid/RockOil\\_0001.wmv](http://kevinbook.com/vid/RockOil_0001.wmv)

The overwhelming consensus opinion on the trip was that the camaraderie and educational value were exceptional, and many suggestions were made for a follow-up trip, including these possibilities: underground coal mine; LNG import facility; nuclear power plant, solar cell manufacturing factory, oil refinery. Branko said he will come up with an appropriate quiz for any eventuality!

2009 MEMBERSHIP RENEWAL/REGISTRATION FORM  
**National Capital Area Chapter**  
**U.S. Association for Energy Economics**

**Please check here for membership renewal.**

**Please check here for new membership registration.**

Membership registration/renewal for the NCAC-USAE is expected by the end of the preceding calendar year.

Please return your registration form and check to **Mark Lively** — NCAC-USAE Treasurer at: **Utility Economic Engineers, 19012 High Point Dr., Gaithersburg, MD 20879**. Phone: 301-428-3618. Email: [MbeLively@aol.com](mailto:MbeLively@aol.com)

Full membership dues for 2009 are \$20.00 (students \$10.00). Please make checks payable to NCAC-USAE.

*Please print clearly.*

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**Would you be interested in becoming more involved in NCAC-USAE by serving on the Council or as an officer of the Chapter? Yes \_\_\_ No \_\_\_**

**Please list topics or speakers you would be interested in:**

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\* For DOE, please provide complete routing address.

\*\* Provide the **best e-mail address** to receive the newsletter.