UNITED STEELWORKERS
USW
UNITY AND STRENGTH FOR WORKERS
OIL WORKERS

THE OILWORKER

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From the Vice President's Desk

Contract Preparation Begins With Explaining Oil Bargaining Process

It's normal for the oil companies six months or so before bargaining to start training supervisors to do our members' jobs. Likewise, we begin to prepare for negotiations. It's really never too early to start.

Many locals are currently explaining the national oil bargaining process to their members by showing the video of former OCAW President Bob Wages, who discussed this process at our national oil bargaining conference last November. If your local hasn't shown this video at a union meeting, please encourage them to do so. A copy can be obtained by contacting Julie Lidstone at my office, (409) 838-1972.

We are also producing a brochure as well that describes why it is important to have union density in coordinated bargaining, advantages of national bargaining and benefits we have achieved historically in national talks. Every oil worker will receive a copy. In addition, we will have an article in the next *Oil Worker* about the national oil bargaining process.

If you would like to educate yourself further on this topic, check out the oil bargaining website at www.oilbargaining.org. It contains a history of national oil bargaining, the 2002 pattern settlement, photographs, news articles of interest and press releases.

Some of our locals are starting newsletters so that members can be kept informed of the progress in bargaining. Encourage your local union editor to join the United Steelworkers Press Association (USPA). The USPA offers training on how to do newsletters, produce handbills and handle media relations. There is even desktop computer training to help you with layout and design. There is no fee to join

Once you join, you get a password to access the USPA website, which contains stories, graphics and photos you can use in your local's newsletter. There also are editorial and website hints and tips to help you attract readers or viewers.

Check out the USPA site for other membership benefits by going to the USW homepage, www.usw.org, and clicking on "Resources." The site has a registration form that you need to fill out and send in to become a member.

For more information, contact Jim Coleman in the Communications Department at jcoleman@usw.org.

Building Power Training

The Building Power training sessions we've had around the country have been successful. Locals are now coming up with their mobilization plans and building their Communication Action Teams (CAT). If your local hasn't been able to attend one of the regional sessions and still wants the training, please contact me at gbeevers@usw.org or (409) 838-1972 Central Time.

Distribute The Oil Worker

When you get your copy of *The Oil Worker*, you need to make enough copies for your membership and distribute it during non-work time and in non-work areas using your Communication Action Teams, steward system or Rapid Response network. Be sure to leave copies in areas like lunchrooms and break rooms.

Gary Beevers
International Vice President in charge of national oil bargaining

Not receiving The Oil Worker?

Send your home e-mail address, the name of the company you work for and your job title to Admin. Asst. Julie Lidstone at jlidstone@usw.org and she'll put you on the e-mail list.

National Oil Bargaining Conference set for September 8-12

Make arrangements now to attend the National Oil Bargaining Conference being held Sept. 8-12 at the Hilton Pittsburgh hotel, 600 Commonwealth Place. Oil and related groups within the USW should have a complete delegation attend the conference because the agenda will be set for national oil bargaining contractual demands for contracts expiring Feb. 1, 2009.

Voting strength for the purpose of adopting a program is based upon paid and exonerated membership of respective bargaining units for the third month preceding the conference (June 2008) as reflected in the records maintained by the International.

A block of sleeping rooms has been reserved at the Pittsburgh Hilton, and the room rate is $99.00 a night. **The deadline for reservations is Aug. 25**. Contact the hotel directly for reservations by calling 1-800-HILTONS and tell them you want the group rate for the United Steelworkers National Oil Bargaining Conference.

The registration fee for the conference is $80 per participant. You can register by going to www.usw.org and clicking on "National Oil Bargaining Conference." Complete the registration form and mail your registration fee to USW International Union, Attn: Julie Lidstone, 470 Orleans St., Suite 900, Beaumont, TX 77701.

Registration at the conference will be Monday, Sept. 8 from 1:00 p.m. to 5:00 p.m. and on Tuesday morning, Sept. 9 from 7:30 a.m. to 8:30 a.m. The general session will convene promptly at 8:30 a.m. on Tuesday, Sept. 9.

Airline reservations may be made with Gateway Travel Management by calling 877-439-0374. When calling, please identify yourself as a participant in the USW National Oil Bargaining Conference and refer to Group Code G5517. This will entitle you to negotiated airfare discounts.

Shuttle service to the hotel can be obtained in the arriving area at the airport. It is approximately $35 round trip between the airport and hotel.

Refiners Play Role in Future Oil Heating Problems

Expect to see the plight of heating oil dealers come up in the final phase of the election campaign this year as dealers are being increasing squeezed by their refinery suppliers' high wholesale product prices and their customers' inability or unwillingness to make timely payments for deliveries of heating oil.

Many refiners have deep pockets and are part of financially healthy integrated oil companies, but the dealers face significant bankruptcy risk because of the rapid escalation of the refineries' prices and their uncollected payments from consumers.

According to *Oil Daily*, few dealers or customers are filling their tanks at current prices, and the weak economy, rising unemployment and surging inflation point to poorer payment performance as winter sets in.

Although the government has a program—the Low Income Home Energy Assistance Program—that generally pays dealers rather than customers, it is already stretched thin. With high prices and the poor economy, more affluent customers are expected to have trouble paying their heating oil bills. *Oil Daily* says that lower crude oil prices and a rebounding economy would help, but that even a hefty price correction for crude oil wouldn't necessarily shore up consumer budgets.

The situation becomes political as 10 Northeastern states and four Midwestern battleground states—Ohio, Wisconsin, Michigan and Minnesota—that together comprise more than 80 percent of US heating oil usage, have a third of the electoral votes in the presidential election and have eight seats for the Senate and 150 in the House up for election.

We Need Your Input

We are interested in what your local is doing to get ready for bargaining and any issues your local is dealing with. When your local bargaining starts, we'll definitely need updates as to how it is proceeding.

Articles should be short and to the point. We especially like quotes from the membership. At most, we'll accept articles that are up to 500 words in length. Keep in mind that we reserve the right to edit contributions for length and clarity. Be sure to put your name, local union number and phone number where you can be contacted during the day or evening in case we have questions.

If there are any issues you would like to see covered or questions about bargaining that you have, we'd like to hear about them as well.

You can send your articles and contact the editor, Lynne Baker, at lbaker@usw.org; phone: (o) 615-831-6782.

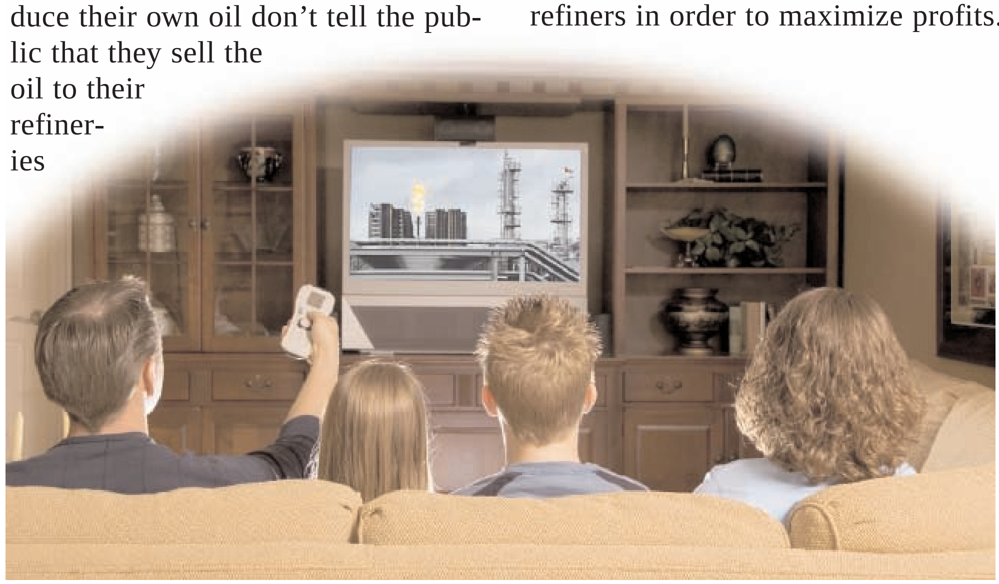
Why We Can't Let Big Oil Define Us in the Media

For the past several months, you've probably seen commercials from the American Petroleum Institute (API), ExxonMobil and others tell the public how oil is priced, how much the industry reinvests and how ordinary citizens own a part of the industry through their retirement plans, mutual funds and other investment vehicles.

Oil Daily reported that ConocoPhillips CEO Jim Mulva thinks that the media and consumers may be shifting their opinion of the industry and understanding energy issues better and the challenges of increasing supply.

Big Oil has deep pockets and can afford to push its messages through advertising. This situation just underscores how important it is for us to be united; to speak as one on our bargaining issues; to show the public that we are concerned about issues such as health care, health and safety on the job and good family-supporting jobs in our communities; and to be mobilized to take part in positive actions, such as sticker days and rallies, on our behalf.

It's interesting that the integrated oil companies—ExxonMobil, Shell, BP, ConocoPhillips, etc.—that produce their own oil don't tell the public that they sell the oil to their refineries at the market price instead of the actual cost of production. If they sold the oil at the production cost, it would be a lot cheaper for the refiners and this savings would ultimately mean cheaper gas at the pump. They sell the oil at the market price to refiners in order to maximize profits.



Oil Profits go to Shareholders more than Exploration

The Associated Press (AP) reported that the five biggest international oil companies plowed about 55% of their profits into stock buybacks and dividends last year, up from 30% in 2000 and just 1% in 1993.

The percentage they spend to find new deposits of oil has remained flat for years, in the mid-single digits.

In the first three months of this year, **ExxonMobil** shelled out $8.8 billion on stock buybacks, compared with $5.5 billion on exploration and other capital projects.

ConocoPhillips told its investors that its stock buybacks for April to June of this year will come to about $2.5 billion—nine times what is spent on exploration.

Stock buybacks decrease the amount of stock on the open market, increasing its value and giving individual shareholders a bigger stake in the company. Executive pay is sometimes tied to stock price.

ExxonMobil and **Chevron** hold less than 10 percent of global oil and gas reserves, way down from past decades.

The oil companies say that finding new sources of oil is harder now and more expensive because all the easy oil is gone. Much oil is tied up by state-run oil companies, like those in Saudi Arabia and Venezuela, which control about 80% of known global oil reserves. It's difficult to get access to that oil. Big oil companies like **ExxonMobil** that have production sharing contracts see their oil volumes fall when host governments take a larger amount of a project's output because of high oil prices. Plus there is no guarantee the price for crude oil will stay high, making Big Oil cautious about the exploration projects pursued.

ExxonMobil plans to spend $25 billion to $30 billion on capital and exploration projects each of the next five years. Last year, it spent about $32 billion on share buybacks. In the second-quarter, it spent $7 billion for capital and exploration spending—which was up 38% from last year—and bought back $8 billion of its own stock.

British Petroleum (BP) has made cash distributions of around $18 billion to shareholders since 2003, reported the *AP*. Replacement cost—the amount it would cost to replace assets (oil) at current prices—jumped 5.5% during the second quarter to $6.85 billion, from $6.49 billion.

Chevron's reported capital and exploratory expenditures of $5.2 billion, up from last year's $4.5 billion, and the company's share buybacks totaled $2 billion in the period, an amount similar to earlier quarters, said *Oil Daily*.

Democrats noted that between 2004 and 2007, the five largest oil companies paid $181 billion to buy back their stock and boost the value of their investors' existing shares—18 times what they spent for research and development in the same period, said *The Houston Chronicle*.

Big Oil Reaps Huge Profits in Q2

Record crude prices and a 50% jump in US natural gas prices helped the integrated oil companies. Six of the major international oil companies earned $51.5 billion in combined profits.

The *AP* reported that **ConocoPhillips'** second-quarter profit rose 13% from adjusted results a year ago. Its net income raised to $5.44 billion, or $3.50 a share, for the April-June period, from $301 million, or 18 cents a share, in the year-ago quarter.

The Wall Street Journal reported that **Chevron Corp.'s** profits increased 11%. It posted net income of $5.98 billion, or $2.90 a share, compared with $5.38 billion, or $2.52 a share, a year earlier, which included a gain of 32 cents a share from asset sales. Revenue rose 48% to $82.99 billion.

Even though **ExxonMobil's** second-quarter earnings of $11.68 billion were the largest profit ever from any U.S. corporation, the results were short of Wall Street expectations, reported the *AP*. Net income for the April-June period was $2.22 a share, up from $10.26 billion in earnings, or $1.83 a share, a year ago. Revenue rose 40% to $138.1 billion from $98.4 billion in the second quarter a year ago. Analysts expected the company to earn $2.52 a share on revenue of $144 billion, excluding one-time items.

Despite the gargantuan profits, **ExxonMobil's** production on an oil-equivalent basis fell 8% from a year ago. But when you figure in the company's loss of its Venezuelan assets, a labor strike in Nigeria and lower volumes because of production-sharing contracts, production was down 2.5% in the second-quarter.

The Houston Chronicle reported that **Royal Dutch Shell** had a 33% jump in second-quarter earnings to $11.56 billion, or $1.87 per share, up from $8.67 billion, or $1.38 a share a year ago.

BP posted a net profit of $9.47 billion for the three months ending June 30, up from $7.38 billion in the same period a year ago, reported the *AP*. *The Houston Chronicle* said it was a 28% increase in profits.

Refining Operations Take Hit from High Crude Prices

U.S. refining margins have fallen in recent months as a result of the near-doubling of crude oil prices, less U.S. demand for gasoline and refiners not being able to fully pass along the higher cost of crude to the customer.

The integrated companies that have exploration and production operations (upstream business) make most of their huge profits from this sector instead of their refining and marketing operations (downstream business).

A refining margin is the difference between what companies pay for crude and the selling price of gasoline and other products made from oil.

For several years refiners have had healthy profits because of strong refining margins, but many analysts believe the refining sector is at the start of a prolonged down-cycle, spurred by the expansion of global refining capacity combined with sustained high crude prices, said the *Oil Daily*.

Oil Daily reported that **Conoco-Philips'** downstream division earned $664 million, which was up from $520 million in the first quarter but down from last year's refining profit of $2.4 billion.

The Wall Street Journal reported that **Chevron's** refining operations had a second quarter loss of $734 million, compared with earnings of $1.3 billion last year. The decline was primarily due to the effects of a planned crude-unit shutdown for maintenance at the company's **Pascagoula, Miss.,** refinery. The *AP* said high crude oil prices were also to blame. The company doesn't produce enough oil for its refineries and has to buy some on the open market. It wasn't able to raise the price of gasoline and other products fast enough to recover its own rising costs for oil. Plus, it has large exposure to the West Coast market where demand has declined a lot.

ExxonMobil's earnings from refining and marketing fell 54% in the second-quarter to $1.55 billion, as compared to earnings of $3.4 billion in the same period last year, reported the *AP* and *Oil Daily*. Refining earnings alone fell to $293 million from $1.7 billion in the second-quarter last year.

Shell's oil products division made profits of just over $1 billion, 63% down on a year ago, *Oil Daily* reported.

The *AP* reported that **BP's** down-

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Refining Operations Take Hit

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stream business made a profit of $539 million, a significant drop from the $2.7 billion it made in the same period a year earlier.

Marathon Oil's second-quarter profits fell about 50% and were blamed on lower margins on the refining and marketing sides of its operation, the *AP* and *The Wall Street Journal* reported. Net income fell from $1.55 billion a year ago to $774 million in the same period this year. Income from the company's refining operation fell 87% compared with the second-quarter last year, said *Oil Daily*, as the company struggled to pass on high crude oil prices to consumers. Marathon is considering splitting off the refinery and marketing part of the company into an independent, publicly-traded company.

Valero, which only has downstream operations, took a big hit from less US demand for oil—a reflection of the sluggish economy—and high crude oil prices. Net income for the second-quarter dropped 64% from the same period last year to $734 million ($1.37/share), said *Oil Daily*. A year ago, net income was $2.1 billion ($3.57/share). The company can take advantage, however, of the market for middle distillates—heating oil, jet fuel and diesel—which is relatively strong.

Independent refiner **Tesoro's** second-quarter net income was $4 million (3¢/share) compared to $443 million ($3.17/share) for the same period last year because of lower margins, reduced output and hedging losses, reported *Oil Daily*.

International News

Pemex, the Mexican state oil and gas monopoly, agreed to a 4.8% wage hike for its unionized oil workers and averted a strike that was set for Aug. 1, reported the *AP*. The oil workers had called for an 11% wage hike.

The **Brazilian Norte Fluminense Oil Workers Union** went on strike July 20-25 against **Petrobras**, demanding workers' departure days from oil platforms be counted as paid work days, reported *Oil Daily*. The union represents workers on offshore production rigs in the Campos Basin, which accounts for 85% of Petrobras' crude output.

The union canceled a nationwide strike set for Aug. 5 after accepting a contract offer from Petrobras, reported *Reuters*. Under the agreement, workers won a half-day of pay for each day they travel back from their 14-day shifts on offshore platforms. Petrobras said the changes will be retroactive as far back as January 2005.

FUP, an umbrella union for oil workers, called off its Aug. 5 nationwide strike after Petrobras made an offer to raise a profit-sharing scheme from the current 12.9% to 15.2%, said *Oil Daily*. The workers wanted improved profit-sharing terms because world oil prices have doubled in the past year.

Occidental Petroleum lost around 15,000 barrels of oil equivalent per day as a result of a five-week strike in Argentina which halted all of the company's drilling programs there, said *Oil Daily*.

Production has returned to pre-strike levels. Still, Oxy's net income jumped to $2.3 billion, $2.78 per share, from $1.41 billion, $1.68 per share, in the second quarter last year. Revenue rose by 61% to $7.12 billion.

Tank-truck contract drivers in the UK, represented by **Unite**, successfully put pressure on **Shell** during a four-day strike in June to raise its low contract fees paid to their employers, **Hoyer UK and J.W. Suckling**. The ICEM newsletter reported that as a result of Unite's pressure, the 600 tank-truck drivers obtained a 9% wage increase this year and a 5% one next year. The strike totally stopped gasoline supplies from being delivered to Shell's 950 retail stations in the UK, and severely impacted the delivery of fuel for BP, Total and Esso. Most drivers for those companies refused to cross picket lines at Shell depots and terminals.

Contract workers at the **Caspian Shipyards Co. Ltd. in Azerbaijan** staged a wildcat strike June 11 over disparate pay and unfair working conditions, reported the ICEM newsletter. Some 1,000 contract employees work in the construction of offshore rigs for **Agip**, a subsidiary of Italian energy firm **Eni**, as well as repairing and upgrading other offshore equipment.

ICEM affiliate **Oil and Gas Industry Workers' of Azerbaijan (OGWUA)** reached an agreement with the Caspian Shipyards for the contract workers and obtained wage gains and health and safety improvements. The workers now have OGWUA representation, and won a US$78 increase to offset inflation, as well as a 6% wage increase retroactive to June 1, 2008. Minimum salaries have been increased from a low of $US140-per-week to US$300. Further wage talks will occur annually beginning in February 2009. Caspian Shipyard management also agreed to continue dialogue on making health and safety improvements, signing long-term contracts, annual paid leave, and reducing the disparity between foreign workers and Azeri workers.