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NY Times Asked to Investigate Shale Gas 'Bubble' Series

Submitted by [Ken Boehm \(bios/ken-boehm\)](#) on Thu, 07/07/2011 - 22:30

NLPC today asked the *New York Times* ombudsman to review the newspaper's front-page series on natural gas published last week (<http://www.nytimes.com/2011/06/26/us/26gas.html>). The articles by Ian Urbina alleged that there is a speculative bubble in natural gas drilling. We have identified a number of apparent ethical problems with Urbina's methods and sources.

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Here is the complete text of my letter to *The New York Times* ombudsman Arthur Brisbane, whose actual title is Public Editor:

I write to request a formal inquiry by the Public Editor into a series of articles published last week in *The New York Times* about the natural gas industry and the investment banking world. In the "Drilling Down" series, Ian Urbina alleges that there is a speculative bubble in the shale gas industry, "in much the same way that insiders have raised doubts about previous financial bubbles." But at least two of the sources for his articles are not industry insiders at all. Rather they appear to be two individuals whose agenda is to publicly disparage the shale gas industry's image and outlook.

I have no complaint with a vigorous journalistic examination of the shale gas controversy, which is just the sort of public service we rely on great newspapers to provide. But it should go without saying that transparency is a paramount element of the exercise, and the motives and potential conflicts of interest for all sources should be thoroughly vetted and aired.

I am concerned that the *Times*, in a serious breach of long-established journalist standards, ignored, concealed, or was misled regarding the conflicts of some of its key sources. Whether this resulted from oversight, haste, or a naïve reporter being manipulated by his sources, the *Times* needs to examine whether it based a major front page series with dramatic economic and policy ramifications on biased sources with undisclosed interests. As such, I respectfully request that your office make an inquiry into these concerns and, if appropriate, make the necessary clarifications or corrections.

The most glaring issue is that the author, Ian Urbina, relies heavily upon "industry emails" for his series alleging a shale gas bubble, giving the impression that this position is supported by a broad cross-section of industry insiders who are having second thoughts about their work. In fact, however, the likely source of some of these emails is Arthur Berman of Labyrinth Consulting Services in Sugar Land, Texas, who does not work for the shale gas drilling industry. As Mr. Urbina acknowledges at one point in the June 25 story, Arthur Berman is actually "one of the most vocal skeptics of shale gas economics." Yet the Urbina stories do not disclose that Mr.

Berman is much more than that. He is the creator and leading popularizer of the shale gas "bubble" critique embraced by Mr. Urbina, and seems to have been his main source. Perhaps most egregiously, the Urbina stories also neglect to mention that Arthur Berman makes his living providing investment advice based upon his own position as a shale gas critic.^[1]
<http://www.chron.com/disp/story.mpl/business/6664313.html>

I am troubled that *The New York Times* would obscure the fact that Mr. Berman is apparently the author or recipient of many of the emails cited as the basis for Mr. Urbina's story. As I understand the proper practice of journalism, withholding information from readers about sources is only appropriate on rare occasions when someone could be in danger or face serious retaliation. But Arthur Berman is already out in the open as a shale gas critic.

Moreover, since Mr. Berman is named in the Urbina articles and even quoted, he cannot be considered to be a confidential source. Obscuring his name on the emails seems like it was simply a way to mislead readers about the degree to which people believe there is "a shale gas bubble." How can Mr. Urbina justify masking Mr. Berman's identity as the author or recipient of the emails that form the basis for much of the story? The truth is that Mr. Berman is a very lonely proponent of this view. As much as he has tried for over three years, he has garnered virtually no scientific support.

Based on content and chronology, it appears almost certain that many of the emails cited by the Times are correspondence from or to Mr. Berman. In these emails, Mr. Berman appears to be corresponding with, among others, investors who missed out on the boom in shale gas and stand to gain, financially, from a devaluation of the natural gas industry. A number of things lead to the conclusion that these emails are from Mr. Berman:

- A cluster of emails posted by the *Times* are dated in the weeks following Mr. Berman's April 14, 2009, article "Haynesville Sizzle Might Fizzle," which is on Mr. Berman's blog.^[2] (<http://petroleumtruthreport.blogspot.com/2009/04/haynesville-sizzle-might-fizzle.html>) In one email from a company called Adams Resources addressed to "Dear Mr. _____ (redacted)," dated April 15, 2009, Adams Resources referenced an article on the Haynesville shale published in the *Oil & Gas Journal* which chronicled the controversy over "Haynesville Sizzle." In that article, Mr. Berman used a set of data called the "decline rates from the Barnett Shale" to make estimates for the Haynesville shale. The sender noted that he agreed with the message recipient's use of "the production decline rates from the Barnett (*sic*) shale to make reserve estimates for the Haynesville wells." The context and timing indicate that the email may have been addressed to the author of the Haynesville shale critique. It is important to note that during this period, Mr. Berman's "Haynesville Sizzle" article was essentially the only public critique of the Haynesville shale formation.
- In another message from April 30, 2009, from the Houston firm Cotham, Harwell & Evans, the writer discusses Petrohawk's use of hedging in the Haynesville field and appears to be referencing a recent article by the unidentified recipient. Again, the timing and context indicate the email may very well have been sent to Mr. Berman: His March 2009 *World Oil* column, which was reproduced on Mr. Berman's blog weeks later on April 14, 2009, criticized at length Petrohawk's operations in Haynesville. In response to Cotham Harwell, the unidentified "analyst" responded in an email April 30 attaching a presentation made by the CEO of Range Resources at the IPAA conference in April 2009 and noted that the "average marginal cost for most shale gas players to produce gas is about \$7.50/McF." Again,

context and timing indicate this very well may have been Mr. Berman: He penned a blog post by just nine days earlier on April 21st, 2009, quoting the same data from the same Range Resources presentation.^[3] (<http://petroleumtruthreport.blogspot.com/2009/04/haynesville-sizzle-or-fizzle-lets-be.htm>) This message is part of a screen capture or printout of a Gmail "conversation" by the "analyst," which indicates that the messages were printed or captured by the "analyst" and supplied by the analyst to *The New York Times*.

- Many of the remaining emails cited are essentially fan mail addressed to an analyst who is a prominent critic of the economics of shale gas. Contrary to what the article states, many if not most of these emails are not from natural gas industry insiders but from small "conventional" drillers like Suemaur Exploration & Production (a tiny outfit in Corpus Christi) and Findmor Natural Gas Inc. of Katy, Texas. "Since I am a conventional explorationist I hope you are right," writes the gentleman from Findmor, who by definition is a shale gas industry outsider, to our unnamed analyst. If this unnamed analyst is in fact Mr. Berman, then the *Times*' survey of opinions is largely dependent upon a single, deeply biased source.
- A number of emails include salutations where a short redaction covers up a name approximately three letters in length. These can be found on pages 20, 21, 22, 38, and 41. Other messages begin with a short salutation and are addressed to "____(redacted)," where the redacted portion appears to be a short three-letter name. (see pages 3, 4, 5, 33, 36, 38, 39, 49, 53). While it is possible the emails are all to analysts named Bob, Bill, or Sam, the best known analyst/critic of shale gas is commonly known as "Art" Berman. Furthermore, a great many of the emails posted by the *Times* seem to be from or to a person whose address is -----@gmail.com (mailto:-----@gmail.com), and the missing part seems to be about 8 letters long. Art Berman's email address is aeberman@gmail.com (mailto:aeberman@gmail.com) according to his blog, Petroleum Truth Report.

The *Times*' heavy reliance on Mr. Berman is deeply problematic given his reputation as a shale gas critic. Mr. Berman offers his views regularly to media outlets which service the investment community, consistently espousing views supportive of short sellers.^[4] (http://www.altenergystocks.com/archives/2009/10/shale_gas_promises_promises_promises.html)

Whether Mr. Berman's clients took short open positions based on his public statements is not public information, but what is certain is that related natural gas stocks took a hit on the *Times* page 1 report, before bouncing back, indicating that traders likely took advantage of a very quick reputation hit, nothing more.

In addition to Mr. Berman, the *Times* misrepresents a second source, Deborah Rodgers, who the author describes on June 25 as belonging to a group of "insiders" sounding alarms about shale gas drilling. She is further identified as "a member of the advisory committee of the Federal Reserve Bank of Dallas," and as "a former stockbroker with Merrill Lynch." This identifier represents a serious cherry-picking of Rodgers' credentials.

Ms. Rodgers is in reality a full-time goat-farmer and owner of Deborah's Fort Worth Farmstead Goat Cheese.^[5] (<http://www.stockmangrassfarmer.net/cgi-bin/page.cgi?id=692>) A Federal Reserve Bank of Dallas press release notes her position there entailed no policy-making responsibility and ended in 2010.^[6] (<http://www.stockmangrassfarmer.net/cgi-bin/page.cgi?id=692>) Thus, her opposition to shale gas is neither as an industry expert nor as a member of

the Dallas Fed. Instead, her opposition may stem from a personal grievance she has with natural gas producers,^[7] (<http://www.aei.org/article/103815>) as referenced by a visiting scholar at the American Enterprise Institute, Jon Entine.

To fail to adequately identify someone such as Ms. Rogers as someone with a clear personal economic stake in the outcome in this controversy is an obvious violation of the journalistic standards, and in particular the sterling standards readers expect from *The New York Times*.

Ultimately, while people who trade in the natural gas industry might doubt the flimsy claims made in this week's articles, policymakers rely on the New York Times for factual, impartial information. Already, this article was cited as the reason for New York's Department of Environmental Conservation delay on issuing a document to guide the permitting process for shale gas drilling^[8] (http://www.democratandchronicle.com/article/20110629/BUSINESS_106290322) as well as Rep. Hinchey's call for an SEC investigation. It is thus incumbent upon your office to ensure that the standard of journalistic integrity was upheld in "Drilling Down," and to make the necessary corrections and retractions.

1] <http://www.chron.com/disp/story.mpl/business/6664313.html>
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2] <http://petroleumtruthreport.blogspot.com/2009/04/haynesville-sizzle-night-fizzle.html> (<http://petroleumtruthreport.blogspot.com/2009/04/haynesville-sizzle-might-fizzle.html>)

3] <http://petroleumtruthreport.blogspot.com/2009/04/haynesville-sizzle-or-fizzle-lets-be.html> (<http://petroleumtruthreport.blogspot.com/2009/04/haynesville-sizzle-or-fizzle-lets-be.html>)

4] http://www.altenergystocks.com/archives/2009/10/shale_gas_promises_promises_promises.html (http://www.altenergystocks.com/archives/2009/10/shale_gas_promises_promises_promises.html)

5] <http://www.stockmangrassfarmer.net/cgi-bin/page.cgi?id=692>
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6] <http://www.stockmangrassfarmer.net/cgi-bin/page.cgi?id=692>
<http://www.stockmangrassfarmer.net/cgi-bin/page.cgi?id=692>

7] <http://www.aei.org/article/103815> (<http://www.aei.org/article/103815>)

8] http://www.democratandchronicle.com/article/20110629/BUSINESS_106290322 (http://www.democratandchronicle.com/article/20110629/BUSINESS_106290322)