

## JULY 1999 NEWSLETTER

### NUMBER OF OFFSHORE PLATFORMS TO DROP BY 28% BY THE YEAR 2023

The total number of oil and gas platforms located in the federal or Outer Continental Shelf (OCS) part of the U.S. Gulf of Mexico is predicted to begin a slow but steady decline over the first quarter of the next century according to a Center study.

A plateau of about 3,600 platforms reached

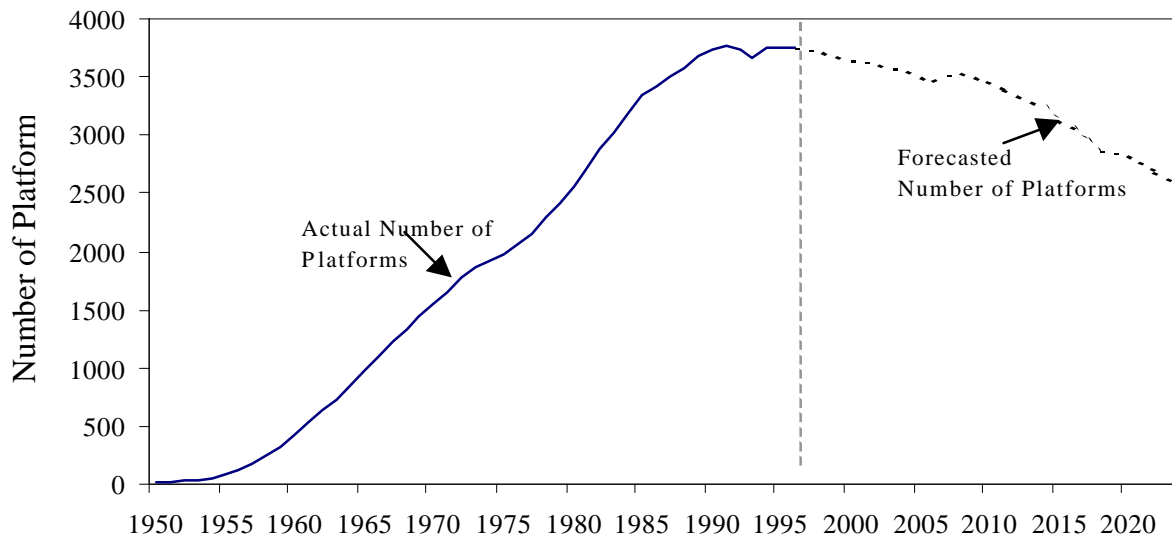


Figure 1: Actual and Forecasted Platforms Operating on the Gulf of Mexico OCS

Although the numerical forecast is based purely on econometric and statistical models, it is consistent with current industry opinion that as exploration and production moves into the deep (and deeper) Gulf, larger and more complex platforms will be installed which, when coupled with advanced seismic imaging and directional drilling, will allow a larger number of wells to be drilled from the same platform. On the other hand, these same factors also make more feasible the production of smaller fields in shallow and intermediate depth waters with smaller, simpler, and even re-cycled platforms. The net effect, however, will be negative according to the study.

Fewer platforms do not translate automatically into less oil and gas production. Although the Center's study did not include production forecasts, it is useful to note that from

1990 to 1997 the number of platforms on the federal offshore barely increased (by 1.8 percent). However, oil production increased by about 50 percent. Further, over the 1990-2000 decade (using the CES forecast value for 2000) we expect the number of platforms to have fallen by 4.6 percent. During the same period, according to the International Energy Agency's (IEA) forecast<sup>1</sup> platforms on the federal OCS will increase crude oil production by 156 percent. The figures for gas are not as surprising with output rising only about five percent over the 1990-1997 period.

<sup>1</sup>International Energy Agency. *Global Offshore Oil Prospects to 2000*, 1996:88.

## **ECONOMIC CONSEQUENCES OF DEVELOPMENT OF THE DEEP OFFSHORE FOR THE GULF COAST'S ECONOMY**

How will the exploration,

for oil and gas activities in the Gulf OCS. The second will be to estimate cost functions allocated to each industry sector for each phase of development, water depth, and major engineering/technology considerations combination.

The third is to allocate any industry-specific expenditures to relevant OCS onshore regions identified by MMS.

### **PTTC SEMINARS**

The Central Gulf Region of the Petroleum Technology Transfer Council (CGR PTTC) has held several oil and gas producer workshops around Louisiana in the last six months. The CGR PTTC sponsored workshops were on *Electrical Power Cost Reduction Methods*, *Gas Optimization in Gas Well Completions*, and *Enhanced Production Methods*.

The workshops on *Electrical Power Cost Reduction Methods* were conducted in Shreveport and Lafayette, Louisiana. These workshops addressed

Promising DER opportunities exist on the consumption side in dispersed industries with significant energy demands such as oil/gas

Reports. David also oversees three grants. The first is related to the implications of electric restructuring for energy conservation in Louisiana. The other two grants are related to the onshore economic implications of offshore oil and gas activities. Finally, David with Wumi Iledare, is starting a Louisiana chapter to the International Association of Energy Economics. If you are interested in joining, please call David at 388-4343.

**Wumi Iledare** published two articles recently. One in a leading trade journal is titled "Trends in U.S. Oil Exploration, Reserves Warn of Trouble" and published in *World Oil*, 220 (2):108-111. The other, in an academic journal, is "Productivity of Petroleum Exploration and Development in Onshore Louisiana," *Energy Economics* 21 (3): 261-271. Allan Pulsipher was co-author on both. Wumi will present his paper, "Forecasting Recoverable Oil Reserves and Oil Extraction Rate in Mature Petroleum Basins: a Case Study of the Niger Delta Basin in Nigeria," at the *1999 SPE Annual International Technical Conference & Exhibition*, Abuja, Nigeria, where he will also present a short seminar on issues and strategies of global oil production to engineers and managers at a one-day workshop organized by the Nigerian Council of the Society of Petroleum Engineers, Inc. In October, Wumi will present a paper titled, "The State of the Global E&P Industry: Is the World Running Out of Oil?" at the *1999 SPE Annual Technical Conference & Exhibition*, Houston, Texas, October 2-6, 1999, SPE Paper # 56456. Wumi serves on the program committee of the 20<sup>th</sup> Annual North American Conference of the USAEE/IAEE on "The Structure of the Energy Industry: the Only Constant is Change," Orlando, Florida, August 29-September 3, 1999. He is also organizing a session on Contemporary Issues on Offshore Oil and Gas Development on the Gulf of Mexico OCS at the Southern Economics Association Annual Conference, New Orleans, November 22-26, 1999.

**Allan Pulsipher** has been invited to participate in a Minerals Management Service strategic planning seminar on socioeconomic research to be convened in Park City Utah, in August. Along with Deborah Tootle of LSU's Sociology Department and Ric Pincomb of the Center, he completed the study on the *Social and Economic Consequences of the Oil Spill in Lake Barre*. The study was jointly funded by MMS and the

Louisiana Oil Spill Applied Research and Development Program and will be published by both organizations.

**Dmitry Mesyanzhinov** attended the 1999 Annual Meeting of the Association of American Geographers in Honolulu, HI, March 23-27, where he presented a paper entitled "Economic Impact of Offshore Oil and Gas Activities on Coastal Louisiana" that was co-authored with David Dismukes. He is also teaching a course on geographic information systems (GIS) for LSU's Geography and Anthropology Department.

Principal computer coddler, **Mike Surman**, returned full time to the Center's staff in June after spending four days a week during March, April, and May taking care of the Surman's new daughter, Victoria Marie. **Stacy Retherford** admirably defended the computer system from staff attacks when Mike was absent.

Serving in the Louisiana House of Representatives, quarter backing the "deep pool units" bill through the House, buying a new business, and the birth of a fifth child on the first of July, has proven too much for **William Daniel**. He has resigned his long-standing research position with the Center. However, he will remain a part of the Center as an LSU Energy Center Fellow. We expect to tap his oil and gas expertise even more frequently, now that it will be on a no-cost basis.

**Bobby Cope**, Assistant Professor at Southeastern Louisiana University, is working at the Center this summer developing modeling systems to use with the Greenhouse Gas Inventory being developed for the Louisiana Department of Natural Resources. Bobby previously worked at the Center while completing his Ph.D. in Information Systems and Decision Sciences.

**Williams Olatubi** has joined the Center's staff to work on modeling the economic consequences for the Gulf Coast economy of oil and gas developments in the "Deep Gulf." He was recently graduated from LSU with a Ph.D. in Agricultural Economics and a Master's degree in Environmental Planning and Management—degrees which he completed simultaneously.

Graduate Research Assistant **Amy Konopacky** is spending the summer with the U.S. Environmental Protection Administration in Washington D.C. She will be back in the fall.

After receiving her M.S. in Economics at the end of July, **Lucy Zhu** is leaving the Center to accompany her husband to Bradley University in Peoria, Illinois, where he will become a member of the Marketing Department. Lucy has been a real contributor to the Center's research program.

Also leaving the Center was **Doug Ranney**, who finished his MBA and accepted a position as an

auditor with Schering-Plough, a pharmaceutical company headquartered in New Jersey.

**Vera Tabakova**, a Ph.D. student in economics, joined the staff for the summer. She is working on the "Deep Gulf" projects.

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