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Energy Prominent in Legislative Session



During the recently completed 2005 Regular Session of the Louisiana Legislature, twenty energy-related bills were filed. This was well above the recent historical average and came as a surprise to many industry observers. While most did not make it through the process, we highlight four that did make it through, although only two have been signed by the governor as of this writing.



Despite oil prices in the \$50 range and natural gas prices hovering around \$7, bills aimed at consumers failed to make it through the legislative process, but ironically, two drilling incentive bills were passed. Passing incentives during times of very robust commodity prices is without historic precedent, both for Louisiana as well as other states. A total of seven drilling incentive bills were filed, which was also a recent historic high. Driving their submission is the fact that drilling activity in Louisiana during the commodity boom of the past few years has lagged its neighboring producing states.

Representative Daniel's HB 835 extended the severance tax credit from 2006 to 2010 for new production from wells that have been inactive for at least two years. Moreover, the credit was extended from two years to five years, which tracks the original 1994 legislation. At that time, Louisiana was one of only two states that granted tax relief for reactivating inactive wells. Since then, most states have enacted similar legislation, and Louisiana, with a current two-year severance tax exemption, had become less competitive.

Senator Dupre et al. passed SB182 (Act 298), which provides for dry hole royalty credits on state-owned mineral leases. Limited to ultra-deep wells of 20,000 feet or greater, the royalty credit can be applied to any other ultra-deep well producing on a state mineral lease. The program sunsets on June 30, 2009, for drilling, and the royalty credit is limited to five billion cubic feet of natural gas production or 50 percent of the cost of the dry hole well, whichever is less. The program is also limited to a total of twenty wells. As there have been no ultra-deep wells drilled in state leases since 2000, the intent is to stimulate exploration in this frontier area.

Two bills dealing with alternative energy were passed. House Bill 428 by Representative Pierre et al. stipulates rules f

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PTTC Connects with Independent Oil & Gas Producers

The goal of the Petroleum Technology Transfer Council (PTTC) is to connect independent oil and natural gas producers with technological solutions in exploration, drilling and completion, operations and production, reservoir and development, and environmental issues—when they need it. In keeping with these goals, to ensure timeliness and relevance, and at the request of the operators, the technical workshop has become the preferred methodology for transforming upstream technologies.

During the 2005 fiscal year, the PTTC Central Gulf Region (CGR) presented 10 workshops, doubling the number of previous years. The topics included 1) the use of material balance to understand oil and gas reservoirs; 2) well abandonment methods and regulations; 3) reservoir engineering; 4) stimulation of watered-out inactive wells with dual completions; 5) low-cost oil and gas recovery methods; and 6) controlling sand production.

The PTTC CGR sponsored three workshops in Louisiana during the spring of 2005:

O Olyca/a: Information about coalbed methane, a topic of high interest in north Louisiana, was presented in a workshop at Northwestern State University in Natchitoches and followed by a field trip to the Oxbow Mine near Coushatta.

O Oca/i: At the Petroleum Club in Lafayette, Robert Knoll of Calgary, Alberta, spoke on cost effective horizontal well technology.

O Oca ': Andrew Wojtanowicz of the LSU Craft & Hawkins Department of Petroleum Engineering presented "Stimulation of Watered-out Inactive/Marginal Wells with Dual Completions." The research presented by Wojtanowicz is intended to address technology "in the making," and Downhole Water Sink technology for restoration of

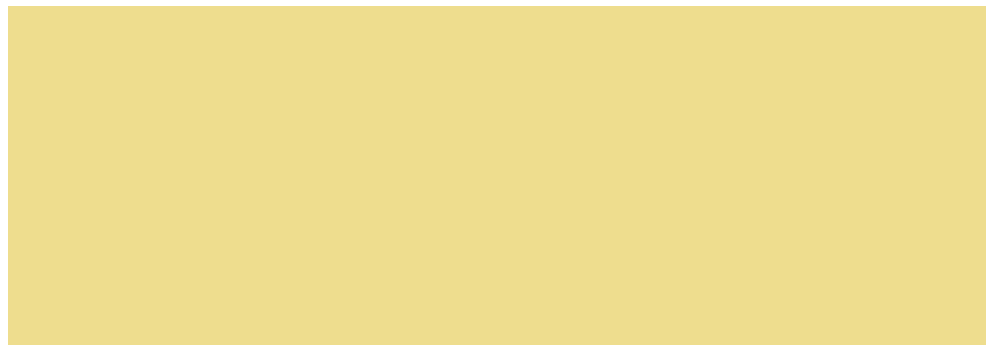
PTTC Producer Advisory Group

The PTTC Producer Advisory Group (PAG) provides direction and oversight to the Center for Energy Studies PTTC, which is a designated Regional Lead Organization. The PAG offers recommendations consistent with strategic guidance from the PTTC Board of Directors and headquarters staff. The next PAG meeting is July 26, 2005, in Lafayette in conjunction with the Gulf Coast Prospect Expo.

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Justin David Fowlkes a graduate of West Monroe Senior High, has completed his junior year at LSU. Justin intends to graduate next May from the College of Basic Sciences with a major in biological sciences and a minor in psychology. He, too, is a very strong student, on track for a University Medal.





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Ballinger of the Florida Public Service Commission and Elizabeth Downer of the Acadian Consulting Group were coauthors.

Mark Kaiser, associate professor of policy analysis, was awarded an Excellence in Partnering award by the National Oceanographic Partnership Program (NOPP) for his contribution to a study titled *“Coordinated Regional Benefit Studies of Coastal Ocean Observing Systems”*. The award was presented at a meeting of the National Ocean Research Leadership Council, which is composed of the heads of the fifteen federal agencies concerned with ocean science and policy. The meeting was held at the White House Conference Center in Washington, D.C. The project was coordinated by the Woods Hole Oceanographic Institute and involved several universities as well as LSU. Kaiser's component of the project dealt with the Gulf of Mexico, specifically, the value of better weather information to the offshore oil and gas industry.

Iledare to Conduct Seminar, Chair USAEE/IAEE Sessions

In August, Wumi Iledare will present a one-week seminar on petroleum economics and risk analysis at the Institute of Petroleum Studies, University of Port Harcourt, Nigeria. He will also present his paper, *“The Impact of a Cost Recovery Ceiling on Deepwater E&P Economics: A Case Study of Production Sharing Contracts in Nigeria”* at the Society of Petroleum Engineers Nigeria Annual International Conference and Exhibition (NAICE 2005). In September, Wumi will serve as concurrent session chair at the 25th Annual North American Conference of the USAEE/IAEE in Denver. Session themes include global energy security, regulation of greenhouse gases, restructuring U.S. and European electricity markets, and economic impacts of price volatility. For more information on the conference, visit www.iaee.org/en/conferences.

Congratulations & Thank You