Mineral Board seeking ways to ease oil slump

By CARL REDMAN
Capitol news bureau

Concerned about slumping activity in Louisiana's oil patch, the State Mineral Board plans a summit in advance of the spring legislative session to see if the state can help the oil industry weather its latest downturn.

Mineral Board member William Allerton of New Orleans said the idea is to get everyone with a stake in the oil industry together at one time.

Allerton said he continues to hear about oil drillers and service companies downsizing, shutting down or leaving Louisiana for other states.

"One of the things we are very interested in is if other states are doing things to entice drillers away from Louisiana," Mineral Board Chair Monica Surprenant said. "Now that things are slowing down, we don't want people in the industry to decide we will continue to operate in Texas but not in Louisiana because they are giving some enticements over there."

Louisiana cannot afford to see a dramatic reduction in the number of drillers and service companies like it did during the oil bust of the 1980s, said Rick Heck, chief petroleum landman with the state Department of Natural Resources.

"This is a cyclical thing, and when it goes back up, you want to have the drilling rigs available," Heck said. "That's one of the things this forum is going to try to do — keep some of the activity going even though (oil) prices are down."

The price of Louisiana sweet crude has fallen from almost $17 a barrel a year ago to just above $12 a barrel today.

Allerton, who chairs the special board panel arranging the conference, said he hopes the conference can be held in conjunction with a Feb. 10 Mineral Board meeting.

That should give the board ample time to make recommendations to the Legislature, Allerton said.

"There's probably some things that can be done from a regulatory standpoint that might encourage more drilling," said Larry Wall, a spokesman for the Louisiana Mid-Continent Oil and Gas Association.

"Some permit relief, some tax relief and royalty relief on new leases might be possible things to consider," Wall said.

The Mineral Board effort comes in the wake of a January sale of oil and gas leases on state land that brought in less than $1.5 million.

The January sale was up from the $650,953 netted in December but substantially behind the $2.4 million lease sale of January 1998.

The January sale lowered the monthly average from new oil and gas leasing to $2.2 million for the 1998-99 fiscal year, down from the $4.2 million average a year earlier.

Heck said the slowdown isn't surprising.

Oil companies are cutting their expenses, and many are putting emphasis on developing land already leased rather than seeking new acreage, Heck said.

Mineral Board planning oil price summit

Staff and wire reports

LAFAYETTE — The State Mineral Board is calling a forum to discuss the oil industry crisis.

The MMS will assemble oil and gas industry leaders, state officials and economists to hear concerns and recommendations before the next legislative session to see if the state can help the petroleum industry weather the downturn in oil prices.

"The forum's focus is to find ways to support the industry at a time when oil prices are low and jobs are being lost," said board member William Allerton.

The conference could be held in conjunction with a Mineral Board meeting Feb. 10. That should give the board enough time to make needed recommendations to the Legislature, he said. Allerton said he is concerned about oil drillers and service companies cutting operations or leaving Louisiana.

"One of the things we are very interested in is if other states are doing things to entice drillers away from Louisiana," said board chairwoman Monica Surprenant. "Now that things are slowing down, we don't people in the industry to decide we will continue to operate in Texas but not in Louisiana because they are giving some enticements over there."

Louisiana needs to maintain oil service companies so, after oil prices rise again, there is not a shortage of drilling rigs that occurred after the oil bust of the 1980s ended, said Rick Heck, chief petroleum landman with the state Department of Natural Resources.

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ALEXANDRIA DAILY
TOWN TALK
Alexandria, LA
Metro Daily

JAN 16 99

Mineral Board plans oil price summit

BATON ROUGE (AP) — The State Mineral Board is planning a summit before the next legislative session to see if the state can help the petroleum industry weather the current downturn in oil prices.

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(STATE ED.)
NEW ORLEANS, LA
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JAN 17 99

State help sought for oil industry

By The Associated Press

The State Mineral Board is planning a summit before the next legislative session to see if the state can help the petroleum industry weather the current downturn in oil prices.

The idea is to get together everyone with a stake in the oil industry, said board member William Allerton. Allerton said he is concerned about oil drillers and service companies cutting operations or leaving Louisiana.

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JAN 17 99

Mineral Board plans oil price summit

154

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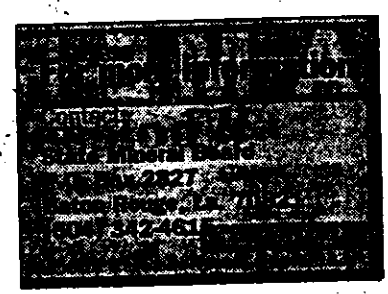
JAN 23 99

EDITORIALS

Oil summit should seek industry relief

■ Our stand: Focus on federal, state needs



Losing jobs because of worldwide declines in oil and gas prices is hard enough to take; losing jobs to neighboring states because of shifts in the industry could be devastating — to Louisiana.

That's why a statewide oil summit is well timed and should attract wide participation among industry members and public officials alike. The State Mineral Board is planning the summit for next month, perhaps along with its Feb. 10 meeting, so recommendations could be made in time for the 1999 legislative session beginning in March.

Board members have expressed concern that financially strapped oil companies will pick up their stakes in Louisiana and merge drilling and other field operations in Texas, where the companies have offices. "One of the things we are very interested in is if other states are doing things to entice drillers away from Louisiana," said board chairwoman Monica Surprenant.

Certainly, Louisiana lawmakers and Gov. Mike Foster should review those incentives and either match or surpass them. The industry should have an equal shot at competing in Louisiana as compared with other states.

But the summit also should review federal policies and tax laws to provide more drilling incentives.

Any solution to the domestic oil and gas industry's problems could include federal relief because, after all, the industry has profound effect on the national economy and on national security. Currently, that security is endangered because more than 53 percent of U.S. oil deliveries come from overseas.

The oil summit in Louisiana should provide an opportunity to focus public attention and government action on the industry's needs in the face of the downturn. While its effects on jobs and state revenues has been minor in comparison with the 1980s collapse, overall losses are grave enough to require a cohesive, comprehensive response.

The summit could find that relief just in time to launch an industry-wide recovery for the next century.

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DAILY & SUNDAY

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JAN 28 99

Oil crisis meeting scheduled for Feb. 10

154

BATON ROUGE — The State Mineral Board will hold a special meeting at 1:30 p.m. Feb. 10 in Baton Rouge to focus on the current oil industry's crisis and its impact in Louisiana. The meeting is scheduled to follow the next regular Mineral Board meeting at the Department of Natural Resources.

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FEB 2 99

Oil meeting planned

By JOHN M. BIERS
Energy writer

Louisiana officials are worried the state will lose oil jobs to other states that have responded to the downturn in the industry by enacting programs to lower the cost of doing business.

The Louisiana Mineral Board, which leases and manages the state lands and offshore sites, has scheduled a special meeting Feb. 10 in Baton Rouge to discuss the matter.

See OIL, C-7

Oil: Other states examined

From C-1

The board is interested in hearing how local businesses are weathering the depression, which has seen oil prices drop by about 40 percent in the last year, prompting thousands of layoffs and numerous canceled projects.

The state is especially interested in hearing from those who do business in neighboring oil states.

"What we're hoping to find out is what Oklahoma has done, what Texas has done," said Metairie's Bill Allerton III, a Mineral Board member.

In recent weeks, both states have called special sessions to discuss various relief programs.

Allerton said the board is considering a number of administrative moves to cut the costs of doing business here. For example, the state might waive one of two fees on companies that collect seismic data from state water bottoms, he said. Such data are used by energy companies to pinpoint the location of oil and gas deposits.

Louisiana officials also have spoken of reducing taxes on some low- or moderate-producing wells. Some of the proposed changes might require new legislation. Later this season, the mineral board will present its findings from the Feb. 10 meeting to the governor and the legislature.

Given that oil is a worldwide commodity affected by global events, Allerton said the state's power to influence the situation is limited.

"We don't want to suggest to anyone that we have a magic wand," he said. "But there might be some incentives we could put in place that won't wreck havoc on the budget but will continue to keep jobs in Louisiana."

Last month, Gov. Foster ordered a state hiring freeze and caps on other spending due to a shortfall of $25 million to $60 million caused in part by lagging oil revenues.

The state recoups about 10 percent of its revenue directly from the industry through a tax on production within Louisiana and royalties on oil and gas developed from state lands. Since oil prices began sinking about 14 months ago, Louisiana has lost more than $50 million compared with the previous year.

The secondary impacts from the downturn include lost tax revenue resulting from energy-related layoffs and reduced activity for drillers, suppliers and other oilfield service companies that have less business when operators cut their budgets.

Last week, U.S. senators from oil states rallied behind legislation to give tax incentives to small producers. But the measure is given a small chance of passing because lawmakers from most other regions of the country are leery of the politically unpopular oil industry and do not want to be seen as supporting legislation that might be associated with a price increase at the pump.

Absent such a national effort, Allerton suggested Louisiana is caught in a kill-or-be-killed bind.

"Every state wants to protect its interests. Texas wants everyone to leave Louisiana and work in Texas. Oklahoma wants everyone to work in Oklahoma," Allerton said. "If Louisiana does not seize the opportunity to protect Louisiana within the industry, then nobody else is going to."

The State Mineral Board will hold its special meeting on Feb. 10 at 1:30 p.m. Interested participants should register by phone at (225) 342-4615. More information can be found at www.dnr.state.la.us/sec/execdiv/pubinfo/newsr/mineralforum.ssi.

Thursday, February 4, 1999

Business

D SECTION

INSIDE
Stocks
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Puzzles

THE ADVOCATE BATON ROUGE, LOUISIANA

Forum to explore relief for state's oil, gas producers

By TED GRIGGS
Advocate business writer

With energy prices scraping the bottom of the barrel, state officials are looking for ways to relieve the pressure on smaller oil and gas producers.

The State Mineral Board will hold a public forum at 1:30 p.m. Wednesday at the State Land Natural Resources Building at 625 N. Fourth St. to discuss the problem. The board hopes the meeting will allow it to give the governor and state legislators an up-to-date picture of the industry and some possible recommendations.

Industry members and observers say the energy business could use the help, especially small producers.

"Right now at the current prices, it's killing the independents," said E.B. "Red" West, Lafayette district operations manager for M-I Drilling Fluids.

"It's worse today than in 1987," said Don Briggs, president of the Louisiana Independent Oil & Gas Association.

In 1987, the United States had 700 drilling rigs running, Briggs said.

Last week, there were only 562.

In 1982, the country had 12,000 independent oil and gas producers; at the end of 1997, there were 2,200, Briggs said.

Briggs said the companies being wiped out now, or in danger of going out of business, managed to survive through the 1980s and the early 1990s.

He fears the state and the country are losing an infrastructure that can't easily be replaced.

Louisiana ranked third in the United States in crude oil production and second in natural gas in 1998. The state already offers firms a number of drilling incentives and tax breaks, but there is little state or even federal officials can do to raise energy prices.

State Natural Resources Department Secretary Jack Caldwell testified about the industry's problems during a U.S. Senate Energy Committee hearing in late January.

Caldwell has said one thing that could help is additional tax breaks for the operators of stripper wells and incapable wells.

Stripper oil wells produce 10 barrels of oil or less per day. Incapable wells produce 25 barrels a day or less.

The vast majority of Louisiana's oil and gas wells fall into the stripper category.

For example, Louisiana had 17,656 strip per oil wells in production as of Jan. 27, state Office of Conservation figures show. There were 18,034 at the beginning of 1998.

Although stripper wells make up around 80 percent of the state's wells, they account for less than 10 percent of the state's production, Department of Natural Resources figures show.

The operators of oil stripper wells are in worse shape than anybody, said Bob Baumann, head of the LSU Center for Energy Studies.

"No. 1, price for natural gas is better than oil, and No. 2, you have a marginal well even if the prices are good," Baumann said.

If the wells are a person's only source of income, he or she doesn't have many options, Baumann said. The producer still has bills and still has to make payments.

"Even if oil is a dollar a barrel, I may be selling it because it's my only source of cash," Baumann said.

A lot of stripper and incapable well operators can't shut in their wells because they can't afford to, Baumann said. Many of them may end up declaring bankruptcy.

Close to 500,000 of the United States' 600,000 wells produce less than three barrels per day, according to the Independent Petroleum Association of America. This

See FORUM, Page 2D

750 Texaco workers notified of job elimination

By ALAN SAYRE
AP business writer

NEW ORLEANS — Texaco Inc. has notified 750 U.S. and overseas employees involved in petroleum exploration and production that their jobs are among 1,000 being eliminated because of low crude oil and gasoline prices.

Hardest hit was the company's Gulf of Mexico region, which lost 287 workers, mostly in Louisiana. Of those, 161 worked in Texaco's administrative office in New Orleans.

The reductions, which involved both layoffs and employees taking voluntary severance packages, affected Texaco offices in New Orleans; Denver; Midland-Odessa, Texas; and Bakersfield, Calif., as well as in Great Britain.

Affected workers were informed Tuesday, Texaco spokesman Pierre DeGruy said. The layoffs were among 1,000 positions Texaco said in November it would eliminate as part of a worldwide restructuring, DeGruy said.

Texaco said it will save $200 million through the restructuring.

Layoffs numbers 126 in Denver, 72 in Bakersfield and 115 in Midland-Odessa. Texaco is still analyzing its staffing levels in Houston, DeGruy said.

In Great Britain, Texaco eliminated 150 workers.

Petroleum company administrative offices in New Orleans have been hit hard in recent months by hundreds of layoffs triggered by low oil prices.

DeGruy said Texaco, which now has 700 employees in its New Orleans center, still plans "to have a significant presence in Louisiana."

CONTINUED FROM PAGE 1D

makes U.S. oil production the world's most sensitive to price fluctuations. The IPAA wants Congress to add a tax credit for marginal oil and gas wells if prices fall below a certain level.

- Wells that produce less than 15 barrels of oil per day would get a $3 tax credit for each of the first three barrels of daily production.
- Wells that produce less than 18,000 cubic feet of natural gas a day would get a credit of 50 cents per thousand cubic feet on the first 18 thousand cubic feet of daily production.

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CITY BUSINESS
Metairie, La.
WEEKLY

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FEB 8 -99

Board asks state's oil industry how best to ease the pain

By Stephen Stuart *Staff Writer*

STATE MINERAL BOARD officials hope Wednesday's forum on the oil crisis in Louisiana will elicit recommendations for helping the industry, which has few options for relief as oil prices remain low.

State support is necessary to stave off job losses and production declines and keep Louisiana competitive with other oil states that have begun to aid struggling drillers, board member William Allerton III says.

"In order for Louisiana to compete effectively with our neighboring energy states, we're hoping to identify recommendations that the governor and state Legislature can consider in the next legislative session," Allerton says.

The Mineral Board invites companies, industry officials and others to speak at the forum in Baton Rouge or submit written comments. The board will gather the information into a report for Gov. Mike Foster and lawmakers before the new session begins in March.

Allerton says the forum is one way the industry and Mineral Board can work together through the downturn. "We want this to be a true partnership," he says.

But the industry will likely rely on the Mineral Board and other state agencies for the bulk of any relief. Legislators cannot consider fiscal matters, such as tax breaks, in the regular session because 1999 is an odd-numbered year. Few possibilities exist in Congress, where oil-producing states are far outnumbered by other states enjoying the lowest gasoline prices in years.

The strongest hope for congressional action is the U.S. Energy Economic Growth Act, a bill introduced in the Senate in January by Sen. Kay Bailey Hutchison (R-Texas). Several oil-state senators have signed on to the bill, including Majority Whip Don Nickles (R-Okla.) and Louisiana Democrats John Breaux and Mary Landrieu.

The bill gives tax credits to independent oil and gas producers' marginal or stripper wells, which produce up to 10 barrels of oil a day or 60,000 cubic feet of natural gas. Louisiana has about 18,000 oil and 8,000 natural gas marginal wells.

Larry Wall, spokesman for the Louisiana Mid-Continent Oil and Gas Association, says it will be a challenge to push the bill through Congress, but some veteran oil-state senators like Breaux may be able to use their influence.

In Louisiana, one option is for the Mineral Board to extend the amount of time a company has to shut-in a well before the lease reverts back to the state and the company must plug and abandon the well for good. Current leases allow 90 days for shut-ins, but the board could amend leases on a case-by-case basis.

The extra time would help coastal drillers and others halt production on wells without jeopardizing the lease or having to produce at a loss, says Don Briggs, president of the Louisiana Independent Oil & Gas Association.

Mineral Board Forum

The forum to discuss the state's oil industry crisis will follow the State Mineral Board meeting Feb. 10 at 1:30 p.m. in the State Mineral Board Hearing Room on the first floor of the State Land and Natural Resources Building, 625 N. 4th St., Baton Rouge.

To speak, call the board at 225-342-4615 or sign up before the start of the meeting.

The Mineral Board could also decrease the percentage of state royalty revenue from new wells, Briggs says.

Companies pay royalties ranging from an eighth to more than 20% of revenue after severance taxes. The board could reduce the percentage as low as an eighth for existing leases, but it would depend on the company's situation and probably require Foster's permission, says Gus Rodemacher, board secretary.

Rodemacher says the board plans to use the forum to explore lengthening shut-in time, reducing royalties and other possibilities.

The state receives about 8% of its revenue from royalties on existing wells, far less than the 42% chunk in the early 1980s, and Briggs says lowering the percentage for new leases would not affect the current state budget. "On new wells, it would be an incentive," he says.

Another option would be for the state Legislature to redefine incapable wells — which produce from 10 to 25 barrels a day — as stripper wells when oil falls below a certain price. At that point, the state could waive severance taxes as it already does for all stripper wells. "It would be a minimal impact to the state," Wall says.

Briggs estimates it would cost the state only $2.7 million, but he's not sure if the change qualifies as a tax matter and thus not germane to the 1999 regular session. •

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FEB 8 -99

State looking for ways to heal oil and gas industry's wounds

Oil and Gas Column

BY LARRY WALL

By this time, everyone is well aware that the oil and gas industry is going through one of the worse downturns of its history. Oil prices are at record lows. The world supply of oil far exceeds demand and the immediate future does not look that promising.

Repeatedly, the question is asked, "What can be done?" Actually, people are asking two questions, even though they may not realize it.

One question is what can be done to bring the oil industry back to where it was in 1997. The second question is what can be done to help the industry survive until conditions improve.

The first question is relatively simple to answer. The price of oil has to improve. Forcing the global price of oil to improve is not a simple thing to accomplish. Oil prices are subject to market conditions. Without boring regular readers, conditions such as the decline of the Asian economy, the excessive production by Middle East countries, and the relatively mild winter have all combined to a point that we now have much too much oil on the market for the current demand. Prices will not improve until demand increases or supply dwindles or a combination of the two. As the Asian economy improves, that market will return. Production will decline over the coming years. Conditions will improve.

Now with that said, the second question comes into play. What can be done to help the industry survive until conditions improve?

That is a difficult question to answer. Each sector of the industry has different needs. Thus, there is no simple one-size solution for all. The Louisiana Mineral Board is planning an oil and gas summit for early February. The purpose of the meeting is to receive ideas that the Mineral Board, other state agencies and even the Legislature, can review to determine if there is anything that can be done to keep the industry afloat during this downturn.

There are some things that could help such as severance tax relief for wells producing small amounts of oil, possible royalty holidays for new production from state leases, permit and regulatory relief.

There are other things that should not be done. For instance, the state does not need to consider the ever-present processing tax offered by Sen.s Foster Campbell, Jim Cox and Don Cravins. Even though the upcoming session of the Legislature is a non-fiscal session where new taxes are not supposed to be considered, Sen. Cox has already prefiled a processing tax bill.

Not wishing to belabor the issue, the processing tax is a plan that the proponents claim will help the state's oil and gas industry by eliminating the $400 million severance tax and replacing it with a $2 billion oil and gas processing tax.

Under the plan, the severance tax would be eliminated and be replaced with the processing tax, or the severance tax would be reduced and a processing tax added. Regardless of the approach, there have been many instances in the last few months where the processing tax would have been more than the severance tax currently being levied.

As the saying goes, you cannot tax yourself into prosperity. Therefore, burdening the industry and the state with excessive taxes is not the way to shore up a vital industry that is facing some difficult times.

Whatever steps the state may take to help the industry, it has to be remembered that recovery will not happen overnight. Back in the 1980s the state instituted two programs, call STEP and LEAP, which were designed to encourage new production. The programs were successful. But, the state, during Gov. Buddy Roemer's tenure, repealed the programs before they had a chance to be completed.

Therefore, if an incentive or relief is offered, it will be necessary to allow the program to run its course. Otherwise, we will be pulling off the bandages before the wound has had time to heal.

Larry Wall is spokesman for the Louisiana Mid-Continent Oil and Gas Association.

Times Picayune
2/8/99

First aid for Oil Patch

With the price of South Louisiana Sweet Crude down to $11.52 a barrel, big oil companies announcing big layoffs and independent companies and small operators staring at financial failure, the Oil Patch is comparing current conditions to the collapse of the mid-'80s.

The oil industry's economic effects ripple throughout the state's economy, and while the price of oil is far beyond state control, there may be something the state could do to cushion the blow here while the industry struggles back to its feet.

The state Mineral Board is holding a forum next Wednesday afternoon in Baton Rouge to seek advice. The board is charged with granting and administering oil and gas leases on state-owned land and water bottoms and generating revenue for the state through royalties, bonuses and rentals.

The forum is a way of hearing from industry representatives, state officials and individuals ideas about how the state can help through regulatory and legislative measures and find other kinds of emergency assistance. Input can take the form of presentations in person at the forum — at 1:30 p.m. in the State Land Natural Resources Building — or written proposals sent to the board.

Natural Resources Department Secretary Jack Caldwell has suggested one thing the state could do: Give additional tax breaks to operators of stripper and "incapable" wells. Strippers are defined as oil wells producing 10 barrels or less a day; incapable wells produce 25 barrels or less.

That is what Texas Gov. George W. Bush is proposing for his state's industry. He has given the legislature a bill that would exempt wells producing less than 15 barrels a day at a selling price of less than $15 a barrel from the severance tax for three months. Oklahoma is moving toward cutting its oil severance tax, too.

But the Mineral Board also wants to bring in other state agencies that might help, the state's congressional delegation and federal government agencies such as the Small Business Administration.

The board will put together the information it gets at the forum into a report with recommendations to Gov. Foster in time for the regular session of the Legislature in late March. The board has had a good idea, and we hope its efforts produce some workable, affordable proposals.

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FEB 11 99

Oil industry officials ask for state's help

By CARL REDMAN
Capitol news bureau

■ Suggested changes list, Page 7D

Representatives of Louisiana's ailing oil and gas industry urged state mineral resource officials Wednesday to get behind tax and regulatory changes that might help businesses hold on until prices rebound.

The only real salvation of the slumping industry would be a boost in oil prices, but the state can take some steps that would provide relief, especially for small producers, industry representatives said at a forum sponsored by the State Mineral Board.

Jim Porter, president of the Mid Continent Oil and Gas Association, said Louisiana officials don't have any control over the world price of oil.

Nonetheless, Porter said, Louisiana government can make some changes that would help oil and gas producers hang on until prices rebound.

Porter said one of the things the industry would like to see is a graduated severance tax that links tax rates to the price of oil. This way, when oil prices fall severance tax rates would drop as well.

Porter said the state isn't as dependent on oil and gas revenue today as it was during the oil bust of the 1980s and could more easily afford to give up some tax revenue to help oil and gas producers.

But Porter conceded that the Legislature is banned from considering tax changes this year.

☐ See OIL, Page 7D

Oil

CONTINUED FROM PAGE 1D

Don Briggs, president of the Louisiana Independent Oil and Gas Association, suggested the Legislature consider redefining stripper wells and other wells that produce very little oil to give tax breaks to more marginal wells.

Stripper wells produce 10 barrels of oil a day or less. Briggs' group suggested redefining those wells to include all wells producing 25 barrels a day or less.

Stripper wells pay no severance tax when oil prices are below $20 a barrel. Sweeping in more wells would cost the state about $2.8 million a year, Briggs said.

Briggs also suggested broadening the definition of other marginal wells so that their severance tax rates would drop when oil prices are low.

Porter and Briggs said they met recently with Gov. Mike Foster to talk about the situation and that he seemed willing to work with the industry.

Foster said later that he has encouraged the Department of Natural Resources and the State Mineral Board to be liberal in enforcing some state rules until oil prices go back up. "There's not a whole lot you can do, but anything we can do, we need to try because the situation is serious," Foster said.

Bob Baumann of the LSU Center for Energy Studies said Louisiana shouldn't expect much assistance from the federal level.

"Low energy prices are darn good for the national economy," Baumann said. "And, if you're an elected politician, boy, it's hard to go against that.

"In the big picture, I don't see that the feds can really do a lot, nor have they ever had a history of ever doing a lot."

Baumann said Louisiana can take some small steps that will help those in the oil industry hang on and be ready when oil prices go back up.

For example, Baumann suggested the Mineral Board allow marginal oil producers to stop production without jeopardizing their leases on

Rather than sell oil at very low prices, it can be saved and sold in the future once oil prices go up, Baumann said.

Art Price, chief executive officer of Badger Oil Corp. said his company does not currently operate a single oil well that is turning a profit.

Price said a single day doesn't go by without one employee or another asking about the future of the company and their job security.

Robert Meredith, chief executive officer of Hogan Exploration, said his central Louisiana oil company had 40 employees a year ago and is down to only 13.

Stopping frequently to compose himself, Meredith told the Mineral Board about having to lay off a long-time employee and friend who has little education and little or no experience to get a job outside the oil and gas industry.

"Don't feel sorry for me," Meredith said. "I'll figure out something. But, countless others who are being devastated — keep those people in mind."

Department of Natural Resources Secretary Jack Caldwell said a few things are being done already to assist those in the oil and gas business. Caldwell said the Mineral Board has begun, on a case-by-case basis, easing up on the demands placed on oil and gas companies to develop lands leased from the state.

Caldwell said the Office of Conservation is waiving production fees on some marginal wells and the state is spending money on oilfield restoration that will provide work for some of the oilfield service companies.

In addition, Caldwell said the staff is looking into changes in bidding procedures on state land that would reduce the amount of money companies give the state at the time of the lease sale and have the state get its money once the land is developed.

Tax changes suggested for industry

Capitol news bureau

Here are some changes suggested at a forum on problems faced by the oil and gas industry:

- Rework the severance taxes to provided for graduated taxes tied to changes in oil prices.
- Allow oil producers to cease production on a case-by-case basis until oil prices recover without losing lease rights on state lands.
- Come up with new rental and royalty requirements for leasing state lands.
- Encourage the Louisiana Tax Commission to roll back a 27 percent increase in property tax assessments on oilfield equipment.
- Stop charging sales tax o[n] producer-owned gas used to fue[l] production equipment.
- Rework tax breaks on strip[per], incapable and other well[s] with marginal production.
- Eliminate the $60-per-acre be[ing] charged by the state Depar[t]ment of Wildlife and Fisherie[s] for conducting seismic testing o[n] state wildlife managed lands. That fee is being charged on to[p] of fees charged by the Minera[l] Board.
- Exempt from sales taxes utili[t]y charges on energy used fo[r] production of oil and gas.
- Work with utilities and th[e] Public Service Commission on a[n] emergency rate structure fo[r] marginal well producers.

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FEB 11-99

Houston trip urged for Foster

Lobby for oil jobs, Metrovision says

By JOHN M. BIERS
Energy writer

BATON ROUGE — A top official from the New Orleans Regional Chamber of Commerce called on Gov. Foster Wednesday to lobby Houston oil and gas executives to maintain their Louisiana operations.

"We're recommending that the governor make a visit as a courtesy call to thank them for being in the state and to find out what can we do to assure that they don't leave Louisiana," said Linda Prudhomme, senior vice president of Metrovision, which serves New Orleans and surrounding parishes. "New Orleans has already lost quite a few jobs to Houston. We're trying to hopefully stop the bleeding."

Prudhomme's comments came in a meeting of state and industry officials in Baton Rouge to discuss potential administrative and legislative steps to soften the effects of a deep industry depression that shows no signs of lifting. With oil prices languishing, major oil companies have slashed staff while small producers have shut down wells and cur-

See OIL, C-3

Oil: Plans to save industry jobs

From C-1

tailed new drilling.

Nearly every major oil company with New Orleans operations either has downsized or announced plans to do so. In the past six months, Prudhomme said, the New Orleans area has lost 1,000 oil industry jobs. The chamber has set up meetings with top local executives at Texaco and Chevron and plans to meet with executives of other big downtown companies in the weeks ahead. Prudhomme said these efforts would be bolstered by a visit by the governor to Houston, where many of these companies have headquarters.

Prudhomme praised Foster's efforts so far to help the industry, and stressed that her comments are not meant as criticism.

Foster administration representatives reached Wednesday night could not confirm the governor's plans.

Most of the other discussion at the forum, which was sponsored by the Louisiana Mineral Board, centered on measures the state could take to preserve jobs.

Foster has said he supports three new policies:

Removing restrictions on temporarily halting production. Under current law, producers lose access to state leases after 60 days if they halt drilling. This change would let companies ride out the downturn and resume operations when oil prices recover.

Providing relief to small producers of incapable wells. While some versions of this plan are prohibitively expensive, Foster has said he backs incentives worth $2.8 million.

Waiving a tax increase on oilfield equipment. Foster has said he would allow an exemption until at least 2000 for a manufacturing tax increase.

The Mineral Board will sort through the proposals and submit a policy to a state legislature.

Acadiana's Daily Newspaper
THE DAILY ADVERTISER
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State searches for oil crisis solution

Terry O'Connor
Business Editor

BATON ROUGE — Amid talk of bottom lines, rig counts, oil and gas output, tax revenues and incentive plans, a Lafayette businessman Wednesday reminded everyone at an emergency state Mineral Board meeting why a solution is needed to end the oil crisis of 1998-99.

Page 1D: Operators in unprofitable position.

"It's about people," said Art Price, chief financial officer of Badger Oil. "There's not a day goes by that an employee doesn't ask me if they're going to have a job."

Nearly 200 people attended the crisis management meeting, which was called to offer Gov. Mike Foster strategies to help lift the state's energy sector out of a crisis brought on by low crude prices, inventory oversupplies and rampant overproduction.

Price gave the room a "glimpse into Badger Oil's reality" by discussing what the 38 percent decline in oil prices and 20 percent drop in natural gas prices in the last year have done to his business.

"Profitability is down 100 percent," Price said. "We do not currently operate a well that's making a profit."

Financing is another casualty of the oil crisis. Banks are reluctant to lend with the industry in such fiscal straits, which forces companies to cut spending or dip into cash flow to back projects.

"We've cut planned spending $4 million this year," Price said. "That's half our budget from last year. That's $4 million that's not injected into the economy of the state. That's $4 million that's not invested into the future of my company."

Price was joined at the meeting by such state officials and industry insiders as Secretary Jack Caldwell of the Louisiana Department of Natural Resources; Secretary Kevin Reilly of the Department of Economic Development; and Don Briggs, president of the Louisiana Independent Oil & Gas Association.

Briggs said the requested actions will be prefiled in a bill before the next legislative session begins March 29 in a bid to rush aid to the oil patch. He said he would ask that the measure be retroactive March 1.

"It could be effective immediately after the first couple days of the legislative session," Briggs said.

Proposed relief actions suggested by LIOGA and Mid Continent include:

- Redefine "stripper well" status from 10 barrels or less to 25 barrels or less.
- Redefine "incapable well" status from 10 to 25 barrels to 25 to 35 barrels.
- Create a new "incapable gas oil well" category of 50 barrels or less.
- Amend state mineral leases to allow a producer to temporarily shut in an oil well for six months without losing lease rights.
- Create an incentive lease plan with a minimum royalty of one-eighth for the first 100,000 barrels with a fixed bonus up front.
- Exempt sales tax on utility charges for the production of oil and gas.

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FEB 11 99

Oil industry representatives ask state for relief

By LESLIE ZGANJAR
The Associated Press

BATON ROUGE – Oil prices have fallen so much that a gallon of gasoline in many places in Louisiana now costs less than bottled water.

The illustration was used several times during a Wednesday forum at which representatives of oil and gas industry told the state Mineral Board of the industry's plight and ways the state could help.

Chief among the suggestions was a break on severance taxes.

Independent operators also spoke of the impact the recent downturn has had on people who work in the industry, saying behind the graphs and charts and numbers, Louisiana citizens are suffering.

"Let me give you a glimpse into our reality," said Art Price, an executive with Badger Oil in Lafayette, where gasoline was recently selling for 72 cents a gallon.

"Prices are down 38 percent. We don't operate a well that makes a profit. Employees question whether they'll have a job. When you hear all these statistics, remember that what we're discussing is real people whose futures depend on this industry," Price said.

"There are countless hard working citizens who are being devastated. I ask you to keep those people in mind," added Robert Meredith, an executive of Hogan Exploration in Columbia, which last year employed 40 workers but today has only 13.

In recent months, the price of oil has dropped to $10 a barrel, the lowest ever when adjusted for inflation, said Don Briggs of the Louisiana Independent Oil and Gas Association.

That means that it costs as much to get oil out of the ground as it is selling for.

Why the low prices? A glut of oil on the market and almost stagnant demand.

The main suggestion offered by the industry was a change to the state's severance tax structure.

Currently, the severance tax on what are known as "fully capable wells" is 12.5 percent. A fully capable well produces more than 25 barrels of oil per day.

The severance tax on incapable wells, which produce between 10 and 25 barrels per day, is 6.2 percent and on stripper wells, which produce 10 barrels a day or less, is 3.1 percent.

LIOGA suggested that new thresholds be used to define wells. Their recommendation: Incapable wells would be defined as those producing between 25 and 35 barrels per day and stripper wells as those producing 25 barrels a day or less.

The end result of LIOGA's suggestion is that there would be more wells defined as stripper and incapable wells, which pay lower severance taxes than other wells.

LIOGA officials said the change for stripper wells would result in $2.8 million a year in lost severance taxes to the state.

They did not know how much the change for incapable wells would cost.

In addition, the Louisiana Mid-Continent Oil and Gas Association proposed that a trigger point be established at which the severance tax on incapable wells is suspended.

There already is a trigger point at which the severance tax on stripper wells is suspended – when oil falls below $20 a barrel.

Other industry suggestions:

- Allow producers with state leases to temporarily shut oil wells during periods of low prices, without losing their leases.
- Roll back the 27 percent ad valorem taxes on oil and gas drilling and production equipment.
- Reduce environmental and other regulations during periods of low oil prices to minimize costs to the industry.
- Exempt sales taxes on utility costs associated with the production of oil and gas.

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FEB 11 99

Oil industry seeks assistance from state board

By The Associated Press

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- Exempt sales taxes on utility costs associated with the production of oil and gas.

Rep. William Daniel, D-Baton Rouge and an independent oil producer, said he would take the suggestions to the Legislature.

"My hope is that higher oil prices will eventually bail us out ... but we need short term help," he said.

The Mineral Board was expected to begin discussing the suggestions when it meets again next month.