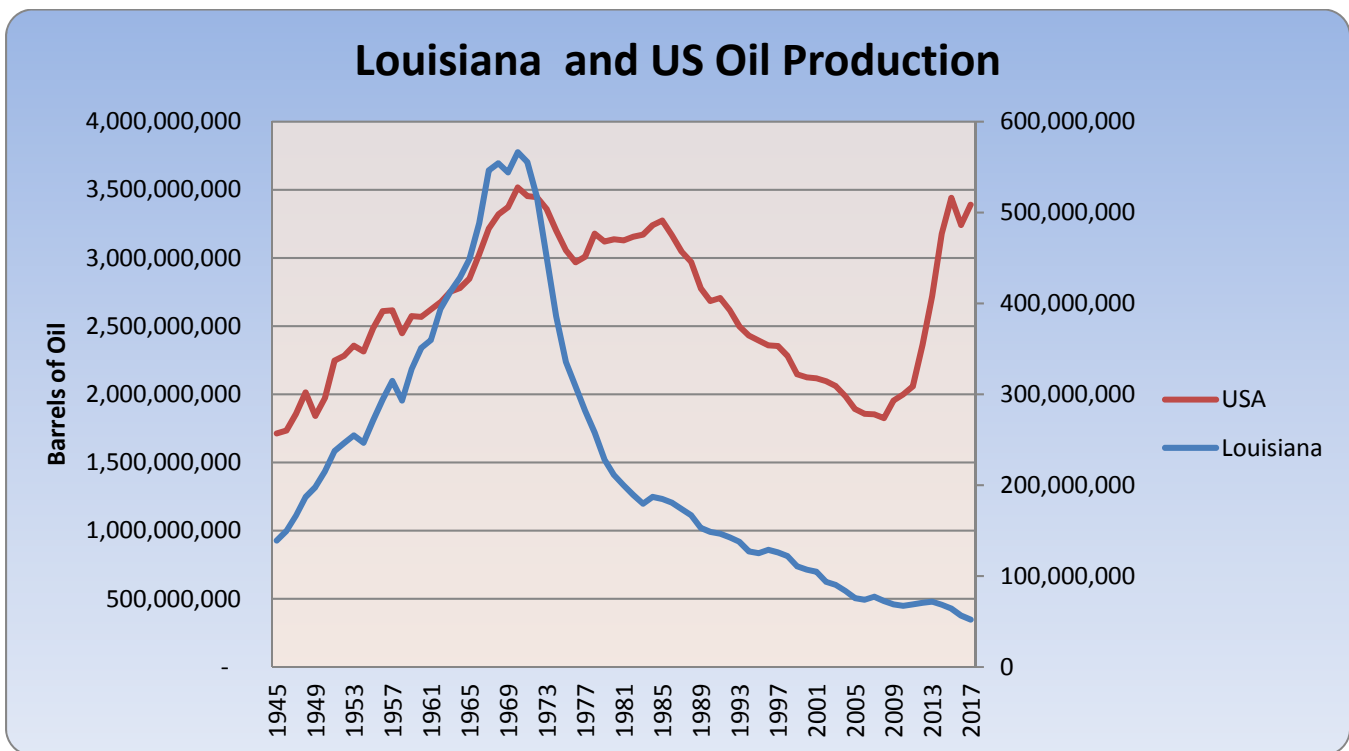


LOUISIANA'S DECLINING OIL PRODUCTION: A 2018 UPDATE

by
Edward L. O'Brien, III, MBA, M.Ec.

Since the 1970s, Louisiana has been going through a decline in oil production. Peaking at 566 million barrels produced, 1970 was the apex of oil production within Louisiana and has been in decline since then, 2017 produced 52 million barrels and 2018 is set to decline even further. While the increase in oil prices from 2009 to 2014 helped increase production during those years, production has seen a decline with lower oil prices. In fact, Louisiana oil production, as a percentage of United States (US) oil production, peaked in 1967 at 16.99% of all US production at 546 million barrels produced that year, compared to the 3.2 billion barrels produced in the US, whereas, now, Louisiana produces roughly 50 million barrels a year and the US production is 3.4 billion barrels.

Figure 1. Louisiana and US Oil Production



SOURCES: Louisiana Department of Natural Resources/Office of Conservation
Energy Information Administration: <http://tonto.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRFPUS2&f=A>

Sharp Decline from the Top

Since the days of the first US oil crisis in the 1970s, Louisiana's production has waned. In fact, in 1970, Louisiana produced the second most oil in the US, only trailing Texas, which produced 32.7% of US oil.¹ Since peak production for Louisiana, the annual rate of decline for oil production has been 5%, with the greatest decline happening from 1970 to 1980, where oil production fell by 355.2 million barrels, or 62.7%

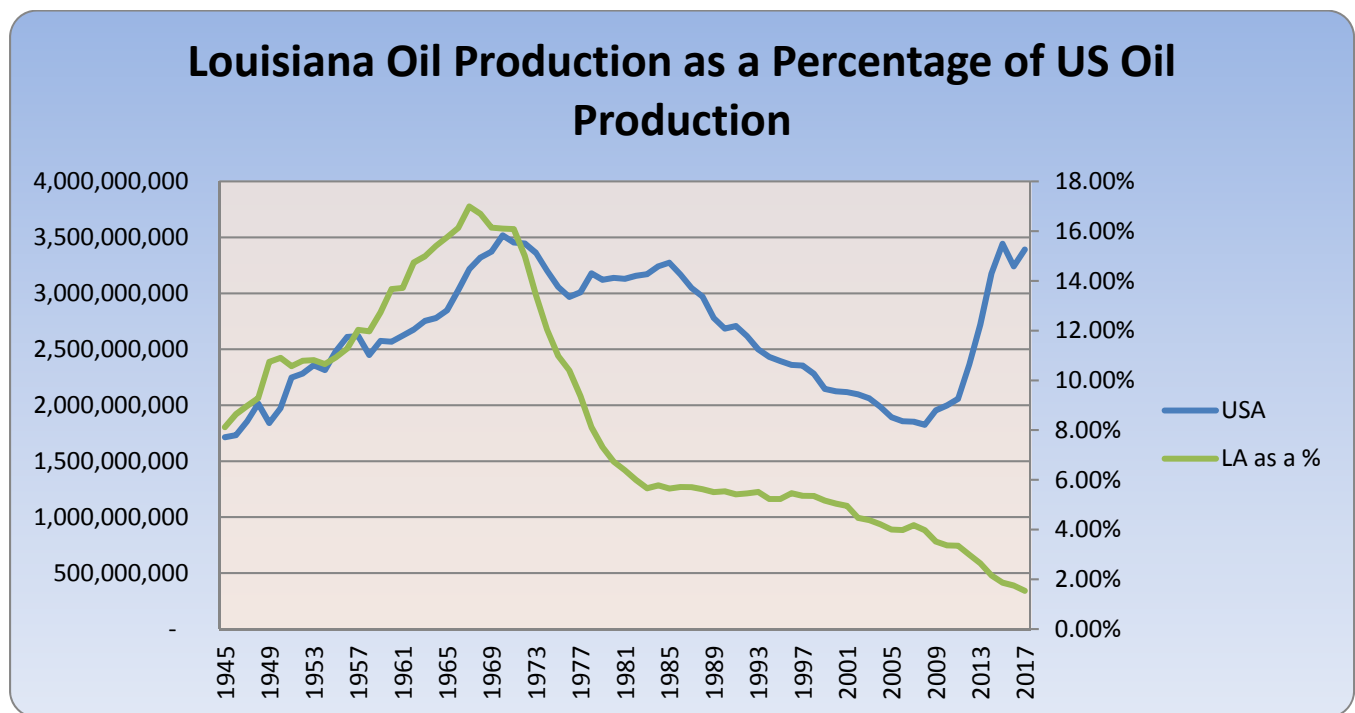
¹ Basic Petroleum Data Book, Volume V, Number 3, September 1985, Section IV, Table 4a

of the peak, and the last 10 years at 2.8 %² annually (Note: Figures include Louisiana onshore and inland water totals only, and OCS is not included in the overall total). While Louisiana has been in decline recently, other areas, such as the Permian Basin in West Texas and the Bakken in North Dakota, have seen sharp increases in production, reinvigorating oil production in the US. Hydraulic fracturing (fracking) technology, where a pressure injection of fluid into the well cracks the shale holding the oil or natural gas, has existed since 1947, but it was not until the 1990s, coupled with horizontal drilling, when the combination was proven to be commercially viable.

The utilization of horizontal fracking in the two formations helped increase production in the US from 5 million barrels a day in 2008 to over 10 million barrels a day in 2018. With the additional production, the gap between Louisiana production and US production has decoupled. Louisiana produced 17% of US oil in 1967; by 1980, it produced only 6.7%; in 2000, 5.0%; and 1.7% today.³

Louisiana still has rich resources, even with the decline. The Tuscaloosa Marine Shale (TMS) has an estimated 7 billion barrels of oil locked under South Louisiana. With technology advancing, the cost of production in the TMS is decreasing, bringing the break even price of the TMS more on par with oil prices today. In addition, many companies are going back into mature fields, ones which were shuttered decades ago, using new technology to extract oil once thought unextractable, and making them economically viable again.

Figure 2. Louisiana Oil Production as a Percentage of US Oil Production



SOURCES: Louisiana Department of Natural Resources/Technology Assessment Division
 Energy Information Administration – <http://tonto.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRFPUS2&f=A>

² Louisiana Department of Natural Resources/Technology Assessment Division, Crude and Condensate Projections

³ Ibid