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James R. Small
President OOGA

"Now that we have had a change from a reasonably pro-business Republican to a Democrat, we have to start over to educate the administration."

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Diana Chance
Chairwoman LOGA

"Land access issues, along with legacy lawsuits, are a growing concern in Louisiana and across the United States."

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North Louisiana Industry Continues To Thrive

By Del Torkelson

SHREVEPORT, LA.—As head of Donner Properties and chairwoman of the Louisiana Oil & Gas Association, Diana Chance enjoys a fairly good view of the state’s oil and gas industry. “I think I am in a position to expound on that because Donner has land and minerals all over Louisiana,” she asserts.

As LOGA prepares for its 2007 annual meeting, March 29-31 in Point Clear, AL, Chance says she has noticed a contrast between the sections of the state divided by Interstate 10 in recent years. North Louisiana activity has a foot on the accelerator and could continue to gain speed if her predictions for Cotton Valley Sand and coal seam gas prove true. Meanwhile, she notes, litigation concerns and hurricanes have had Pelican State producers riding the brakes on South Louisiana projects. “LOGA’s response to these unprecedented challenges has been phenomenal,” she praises. “I have been privileged to have a front row seat with the LOGA professionals.

“Our South Louisiana industry had slowed a bit, and I think a lot of that was a product of legacy lawsuit concerns,” Chance evaluates. “Where I am super busy is North Louisiana. Even the large lunch crowd at the Shreveport Petroleum Club reflects the bevy of new activity. Many South Louisiana companies are now active in North Louisiana, and brokers are opening satellite companies in Shreveport because they cannot keep enough people working here.”

Chance is quick to add that the state’s southern section has shown signs of revival, and at least some of the credit for that lies with LOGA’s successful efforts to convince elected officials to pass legacy lawsuit reform in 2006. Furthermore, she notes, while Hurricanes Katrina and Rita wrought unprecedented damage on the Gulf coast, the oil and gas industry’s rebuilding and recovery has been little short of astounding.

LOGA President Donald Briggs seconds the notion that the industry appears to be trending upward in both parts of the state. “Although our rig count is not up as much as we would like, it is still climbing,” he attests. “There is a tremendous amount of activity in North Louisiana and the land activity in South Louisiana is up, as well as our inland barge activity.”

Bustling North

North Louisiana’s activity has benefited the area’s surface and royalty owners, and has even boosted the area’s hotels and restaurants, Chance indicates. The upswing seems to have started in 2003, she recalls, noting it was then that Donner’s North Louisiana properties began attracting intense interest from producers of all sizes. Since then, she estimates, the North Louisiana rig count has doubled as companies drill in historically productive places such as Jackson Parish’s Vernon Field.

“People ask about our Hosston and Cotton Valley lands, which have helped spark the boom,” Chance continues. “And then, of course, there is coal seam gas. I have been passionately working that for a long time not just for Donner, but for all of North Louisiana in general.”

So pronounced is her enthusiasm for North Louisiana coal seam gas that Chance suggests it has become one of her trademarks. “Everyone around here knows Diana Chance has been working on coal seam gas in North Louisiana,” she quips. “Donner has almost 250,000 acres in North Louisiana, and it is hot.”

And should a bona fide unconventional gas play take hold in the area, its foundation will have been years in the making, she emphasizes. Laying the first cornerstone entailed intensive studies on the coal. “Questions had to be answered,” Chance describes. “Over the past five years, we have established that the coal in North Louisiana is a sub-bituminous coal in sufficient quantities to be economical to produce.”

After answering the geological questions, Chance points out, political ones remained. “LOGA helped pass new commingling and unitization laws specifically for coal seam gas,” she recounts of the association’s 2004 effort. “I am telling you, just watch. In the next couple years people are going to hear a lot about coal seam natural gas in North Louisiana.”

Producers are still learning how to drill, complete and operate North Louisiana coals well and tight seams. Cotton Valley Sands, Chance acknowledges. Even so, she insists that her firsthand experience with oil and gas companies’ ingenuity has her confident they will unlock the coal’s secrets and overcome technical challenges that may exist with the new, deeper plays. “It reminds me of dealing with a company in the Austin Chalk that was saying it could not drill horizontal wells on our Newton and Jasper counties, TX., acreage at 13,000 feet because it burned the drill bits.” Chance compares. “It took that company less than a year to engineer a way to drill those deeper horizontal wells. As it turned out, Donner ended with 48 new wells there.

“When people tell me you cannot drill coal seam wells in North Louisiana or that the Wilcox Sand is the ocean, I respond by saying we just need to give the industry a little more time to figure it out,” she adds. “The next thing we know, all kinds of techniques will be coming in to accomplish the job. This industry is innovative. If gas is in place, industry will find a way to produce it. Coal seam gas is no exception.”

Act 312 Constitutionality

Although falling short in comparisons with its northern counterpart is perhaps unusual for South Louisiana, hurricanes tell only part of the story. One contributing factor for lagging activity in the south, Chance suggests, dealt with common perceptions that the permitting process proceeded more slowly on projects in that part of the state until LOGA reached out to regulators in hopes of speeding it.

“Until we were able to work with the Office of Conservation, the Department of Wildlife and Fisheries, and other agencies, we had problems getting timely permits,” she describes. “Things really slowed in South Louisiana for a long time. As a landowner manager, I often intervened to
help our lessees get the permits.”

Those detours were all the more frustrating, considering that South Louisiana possesses no shortage of intriguing prospects, she adds. “Donner was very fortunate in Cameron and Calcasieu parishes,” she notes. “We had several 10 million and one 20 million cubic-feet-a-day wells drilled. There are some large projects to be done.”

Another factor preceding the storms, notes LOGA Director Ray Lasseigne of TMR Exploration, is the dark cloud cast by litigation, especially the Louisiana Supreme Court’s February 2003 decision in William G. Corbello et al v. Iowa Production Co. et al. That finding awarded a Calcasieu Parish landowner a $33 million judgment on an $800,000 property that needed an estimated $108,000 worth of environmental remediation.

South Louisiana contains many such legacy oil field sites, which were predominantly drilled and operated by major oil companies as far back as the early 1900s, but which have since been acquired by independents. Until Act 312, based on legislation passed and signed in 2006, addressed those legacy lawsuits, Lasseigne says the shadow cast by such litigation factored heavily into his own company’s business decisions. “We passed on several acquisitions that we would have liked to pursue because of their potential,” he admits. “However, if a property included any environmental impairments, we could not stand the risk of lawsuits for situations we did not create.”

A key reform contained in the retroactively effective Act 312 is a provision requiring money awarded for remediation of environmental damage arising from oil field operations to be spent on actual remediation. Another aspect of the law puts a hold on legal proceedings after a district court finds a party guilty of polluting at a legacy site so the Louisiana Department of Natural Resources can estimate cleanup costs. The court oversees the funds dedicated to clean the site (The Reporter, June 2006, pg. 114).

Lasseigne suggests Act 312 already has warmed South Louisiana’s industry. “I think people are willing to do more things in Louisiana as a result of that legislation,” he offers. “It gives the appearance that our state stands behind exploration, development and exploitation, whereas before, Louisiana had the prospect of more lawsuits hanging over its head. If we can get that behind us and feel comfortable with the constitutionality of our legislation, things should continue to improve.”

The questions to which Lasseigne alludes refer to litigation filed in Louisiana that challenges the constitutionality of Act 312. Although lower courts have sided with the challengers, Lasseigne says the venue in which they were heard means the rulings were no surprise. “The outcome was expected based on the local court,” he allows.

Briggs explains that the question will get a quicker answer than most because the challenge will bypass the courts of appeal and go straight to the Louisiana Supreme Court, which LOGA appreciates. “It really is good to do it this way,” he declares.

Briggs says the challenges to Act 312 target its retroactivity. “As long as the tri-
al lawyers have a little wiggle room, they come after you,” he assesses. “They have that wiggle room, but there is no question about its constitutionality in our minds or that of the Louisiana attorney general.”

Furthermore, he points out, the same Supreme Court that handed down the Corbello decision actually activated the machinery that eventually produced Act 312. Nor has the makeup of the court changed since it wrote the ruling. “In rendering its decision on that case, the Supreme Court said the legislature needed to address this issue,” Briggs recalls. “Consequently, the very act the legislature passed is a response to the Supreme Court’s request. Personally, I believe it fits what the court was asking for very clearly.”

Nevertheless, Briggs maintains, LOGA will take nothing for granted. The association is beginning work on an amicus brief in support of Act 312.

Rebuild And Repair

The industry’s almost complete recovery from damage and other setbacks wrought by the catastrophic aftermath of Hurricanes Katrina and Rita in autumn 2005 is another indicator that has LOGA leaders expressing optimism about the future of the South Louisiana.

While native workforce issues remain especially acute in a region that saw a significant portion of its population migrate away, Briggs maintains that the South Louisiana industry began 2007 looking much as it did before the hurricanes. “It is nearly back to normal in most cases, including the ports of Fourchon, Cameron and Venice, which are able to service the Gulf of Mexico as they have in the past,” he illustrates. “As always, the industry responds very quickly to its own demands.”

The labor issue, however, remains intertwined to the general recovery of Louisiana’s Gulf Coast. “The southern parts of the state where Rita and Katrina came through do not have the available workforce housed there as they were,” Briggs notes. “Yes, those areas are being rebuilt, but that takes time.”

Chance, who says Donner has many properties south of I-10, indicates she was astonished both by the magnitude of the damage and the industry’s recovery from it. “I could not believe how quickly the industry got back in and went to work,” she recalls. “It got roads open, wells back on line, and did as much as it could to rebuild and repair a lot of the infrastructure.”

Other forms of assistance even included offers from companies to let others use their extra office space and equipment. “A LOGA member company in Dallas offered a complete setup, with computers and everything, for any business displaced by the hurricane to move in and set up office temporarily, free of charge,” Chance recalls. “The industry helped a lot of people run their businesses out of temporary offices in Dallas, Shreveport and Houston.”

The rebuilding efforts also include LOGA’s hurricane relief funds, which Chance says were formed as a result of industry people expressing a desire to help. “People from all over the United States called after the hurricanes, asking
Opening History’s Door

The American Oil & Gas Historical Society (AOGHS) is dedicated to preserving the heritage of the U.S. oil and natural gas exploration and production industry. The society for the first time brings a national communication network to more than 50 regional, state, and county oil and natural gas museums. We document and promote outstanding, community-based museum programs, exhibits and “oilfield history days” as part of a nationwide public education campaign.

AOGHS is a 501 (c) 3 organization and all contributions are tax deductible. With your help, the Society’s public education programs will bring new public awareness to the industry that defined the 20th century.

Join us at www.aoghs.org and consider a generous donation to build this new E&P heritage network. – Bruce Wells, Executive Director, (202) 857-4785.

The American Oil & Gas Historical Society

What they could do to help,” Chance recalls. “Most had given money to organizations such as the Red Cross, but they wanted to be more directly involved. Don Briggs created a fund to help rebuild houses, businesses, community centers and churches.”

Briggs explains that LOGA has partnered with the Southern Mutual Help Association, and is building 25 new homes and re-establishing 10 businesses in the area of Boothville-Venice and Plaquemine Parish. Southern Mutual, he explains, emphasizes a cooperative effort with assistance recipients, interviewing prospects about their intentions. “It goes into the community and literally sits down with people on their front porches—or wherever they may be—and gets to know them,” he says.

“We are rebuilding homes with people who want to rebuild, people who have the desire to be self sufficient,” Briggs continues. “We meet with people who have lost their businesses and give them grants as well as provide them with low-interest loans so they can rebuild. It is not a giveaway program that simply hands out loans or just rebuilds houses. We want people who will stand beside us and work with us.”

Leadership Change

Another sign of Gulf Coast restoration is the fact that LOGA’s annual convention is returning to the Grand Hotel in Point Clear, after hurricane damage forced LOGA’s 2006 conference to relocate to the L’Auberge du Lac Hotel & Casino in Lake Charles, La. At the 2007 conference, Chance will pass on her gavel. While Briggs maintains great confidence in the incoming chairman’s ability to lead the organization, he also acknowledges that Chance will be a tough act to follow.

“Diana has been great,” he lauds, adding that the association had its first chairwoman during a time when Louisiana elected its first woman governor. “They have great rapport and it has been very beneficial to us,” he imparts.

Chance acknowledges a bond with Governor Kathleen Blanco and attributes some of it to mutual identification as female leaders. “I do not think a lot about it until I meet with another woman in a key position,” she muses. “We have been through the same type of ranks, problems, and experiences. It creates some camaraderie.”

Blanco was lieutenant governor when Chance met her, she recalls, but the bond has since strengthened. “Through the years, I have come to feel we will remain friends,” Chance says.

Lasseigne emphasizes Act 312 as LOGA’s chief accomplishment during Chance’s tenure. “We had some major successes, in particular the legacy lawsuit legislation,” Lasseigne praises. “I think she did a wonderful job leading that effort.”

Convention Schedule

LOGA’s 2007 annual meeting is scheduled to begin on the afternoon of Thursday, March 29, with a capital seminar sponsored by the Independent Petroleum Association of America. The silent auction and registration desk open at 4 o’clock and the welcome reception gets under way an hour later.

The next morning’s events include a breakfast meeting and a general session, followed by a lunch meeting. Recreation in the form of golf and tennis tournaments are the focus of that afternoon, and the day will close with an evening reception and banquet.
Convention Section: Louisiana Oil & Gas Association

The conference’s last day opens with another breakfast session, followed by a LOGA Board of Directors meeting, which is open to all meeting registrants.

“We are going to have fun at the meeting,” Chance promises. “Point Clear is such a great place and the networking is phenomenal. Friendships are made there; business deals are made there. It also provides members an opportunity to inform LOGA’s staff and board members about the issues personally affecting them and their businesses.

“I plan to bring up additional land issues that I think LOGA should look at,” she continues. “Other land access issues, along with legacy lawsuits, are a growing concern in Louisiana and across the United States. Don Briggs will address the historical term limit elections and other high profile bills looming in the 2007 legislative agenda.”

Issues education extends in both directions, Lasseigne points out. “The general sessions are always very informative,” he reflects. “It keeps our membership up to date on what is going on in the state. Of course, we have an important governor’s race coming, and many legislative races. This is going to be one of the most important times in recent history. We certainly can have a tremendous impact on the direction our state goes.”