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Section: Front

Page: 01A

Increased activity brings money and jobs to area
James Ramage

SPECIAL REPORT: THE NATURAL GAS BOOM

By James Ramage

jramage@gannett.com

To see the effects of the local natural gas boom, look at a \$160,000 house going up north of Bossier City.

It is the first home Curtis Crawley will own. His job operating a crane with Mosley Wireline Service in Haughton, which works on natural gas rigs, made it possible by tripling his salary from his last job to almost a six-figure level.

"I've always rented or lived with family," the 27-year-old said of his three-bedroom, 1,300-square-foot home. "This job has provided me a chance to build a house."

The natural gas industry in Caddo and Bossier parishes is flourishing like no other time in recent memory.

Production in Bossier Parish from January 2001 to January 2006 is up more than 206 percent, and up 187 percent in Caddo during the same period, according to the Louisiana Department of Natural Resources.

That's had a direct benefit on the local economy, from individuals to companies. Six years ago, Mosley Wireline had three trucks in the field at natural gas rigs. Today: 15.

"It's made it so a lot of high-school educated, good country boys are in the doctor and lawyer range, financially," said Matt Evans, regional manager at Mosley. "It's enabled us to get a lot of new equipment and customers."

The boom's benefits are far reaching:

*The industry employs nearly three times as many people in the region who fill direct and indirect industry staffing needs "" such as drillers, equipment operators and truckers "" than it did in 1995.

*Caddo and Bossier parishes have each been getting \$750,000 each year since 2000 in oil and gas severance taxes from natural gas production "" up roughly 74 percent and 52 percent, respectively, from the amounts each received throughout the 1990s.

*Natural gas leads to an unexpected windfall of hundreds and possibly many thousands of dollars to property owners where companies want the mineral rights to drill.

*Drilling so much as 100 new wells each year in Caddo and Bossier parishes results in an additional \$283 million being spent in the community, as workers directly and indirectly involved with oil and natural gas extraction are spending their money locally.

"The natural gas boom is good for all of us right now," said Diana Chance, of Shreveport, chairwoman of the board for the Louisiana Oil and Gas Association and manager of Donner Properties. "So many new jobs have been created for the industry. This industry cannot find enough people to work on the rigs and move water, drive the trucks."

It hasn't always been like this.

Many in the natural gas industry today started in the oil business, and they will remember the long boom and the economy-shattering bust of the late 1980s.

When the oil industry collapsed, it wiped out most of the millions of dollars for the state and local economies and thousands of jobs involved with it.

Demand for natural gas and oil that has risen dramatically over the past few years has largely fueled the rebound, experts say.

The psychology of limited supply has compelled many to be willing to pay more for it. Also, companies providing natural gas to consumers have been driving demand as more of their power plants have been using it to generate electricity instead of coal.

And even considering those memories of the oil bust, as well as the risks involved with investing in a well that could yield little gas, the atmosphere among producers is still positive, said Don Briggs, president of the Louisiana Oil and Gas Association.

"It's a very upbeat time for producers operating and drilling in northern Louisiana," he said. "There's lots of optimism."

Prices drive interest

More companies are drilling because it is economically feasible: The average monthly wellhead prices for the commodity have risen from roughly \$1 for every 1,000 cubic feet of gas "" the standard measurement for gas production "" in the late 1970s, to around \$10 late last year.

Natural gas prices started accelerating well past \$2 a thousand cubic feet in 2000 and have stayed high, according to Dickie Jester, vice president of gas supply with Laser Midstream Company in Shreveport. Ultimately, they must be consistently higher than the \$2.50 Jester said it costs to produce 1,000 cubic feet of natural gas for producers to consider drilling for it.

Extracting all of the natural gas in northwest Louisiana requires more staff for production companies, as well as more businesses, either directly or indirectly related to the industry: drillers, compressors, instrumentation workers, wireline workers, gas gatherers, truckers, pipeline workers, utility workers, rig servicemen, engineers and others.

Each rig drilling for oil or natural gas "creates a whole new market out there," Briggs said. "Conservatively, each rig accounts for 250 jobs directly and indirectly involved with the rig."

In northern Louisiana, there have been an average of 57 oil or gas rigs running at any one time throughout 2006, compared to an average of 55 during the oil boom days in 1980, and 16 in 1995, according to the latest state Department of Natural Resources count.

That means more than 14,000 workers are employed in northern Louisiana in the oil and gas industry "" many thousands of those in Caddo and Bossier parishes, where two of the state's three biggest natural gas fields lie.

By comparison using the same ratio, less than 4,800 were employed in the industry in the region in 1995.

Official rig statistics do not differentiate between those involved in drilling for oil versus natural gas, according to Manuel Lam, department spokesman. Still, a recent Baker Hughes Rotary Rig Count showed that 81.8 percent of producing rigs across the country are natural gas, and the ratio roughly holds for northern Louisiana, Briggs said.

And because the employment sector related to natural gas drilling is vast and complicated, economists can only estimate the oil and gas industries' overall impact on the Caddo-Bossier area.

A total of \$1.62 is spent in the community for each dollar spent extracting oil or gas, according to Susan Beal, director, LSUS Center for Business and Economic Research.

New rigs alone cost between \$12 million and \$20 million to buy in the area, according to Robert Merrill, owner and president of R&R Drilling Company in Shreveport. Each one can drill about 1,000 wells, Briggs added.

The price to dig a well costs producers between \$1.5 million and \$2 million on average, Briggs said. About 13,000 oil and natural gas wells are running in the Caddo-Bossier area, according to the natural resources department.

Well counts fluctuate each month as producers take wells offline and drill new ones constantly.

By using the multiplier, drilling 100 new local wells in one year alone means more than \$280 million spent in the Caddo-Bossier community.

The green beneath the ground

Pat Joyner lives in the upscale Long Lake subdivision and serves as president of its homeowners association. The subdivision, in southern Shreveport, is 22 years old.

In the 20 years he's lived there, Joyner never knew his good fortune.

"I had no idea natural gas was there; a guy came around and told me," he said. "It's due in large part to prices. Natural gas was not this important several years ago; prices have gone up, and it's interested everyone where there are reserves."

About a year ago, Marshall, Texas-based Camterra Resources leased the mineral rights for the gas under his land for a one-time \$300 signing fee, as well as a quarter of a percentage point of the production, he said.

As a company policy, Camterra said it would neither comment on the arrangement, nor on the anticipated amount of gas in Long Lake.

According to one estimate, compiled by Robert Baumann, director of research and development with the LSU Center for Energy Studies, a deep well producing 2 million cubic feet of natural gas a day at an approximate market price of \$5 a thousand cubic feet would give Joyner about \$750 each month the well produced.

By comparison, Donner Properties owns 240,000 acres of property on oil and gas land in Caldwell, Wynn, DeSoto and Caddo parishes, according to Chance.

The 48 producing gas wells on those properties generated an average of approximately \$3,000 per well per month during 2005, money that goes to landowners where each well is running, she said.

The highest single producing well, in Caldwell Parish, paid an average of \$51,000 per month, she added.

How much gas a well produces, the amount of land in a unit that one owns and the agreed royalty percentage all determine how much money one receives for the gas under his or her property, Chance said.

The state's due

The state charges a severance tax on mineral rights owners of

37.3 cents for each 1,000 cubic feet of gas produced, as of July, said Carl Reilly, director of taxpayer services with the Louisiana Department of Revenue.

Since 2003, Bossier Parish has seen the amount of severance taxes the state has received from natural gas produced in its borders climb from \$8.3 million to more than

\$21.1 million last year, according to revenue department figures. In Caddo Parish, severance tax revenue to the state climbed from \$1.7 million to almost \$5.9 million over the same period.

And the numbers for 2006 are shaping up to be even higher for both parishes, department figures show.

By law, Louisiana must use the money to pay down state debt first, said Sarah Mulhearn with the Louisiana Department of the Treasury.

It sends the rest to its general fund to cover basic operations of state government "" such as salaries for its legislative and judicial branches.

Parishes get 20 percent of that back, capped at \$750,000 each. From 1974 to 1999, the figure had been capped at \$500,000, Reilly said. And there is always talk at the capital of raising the cap, he added.

Caddo Parish began getting its \$750,000 in 2000, up from the \$432,000 average it had been receiving in the 1990s, according to Caddo Parish Commission figures. Bossier Parish, too, started receiving its \$750,000 in severance tax dollars in 2000, up from the \$494,000 it had been averaging throughout the 1990s, according to parish Police Jury figures.

The money goes into the parishes' general fund so it's not dedicated to any specific use. However, that extra money does free up other revenues for capital projects that benefit taxpayers.

The parishes both said they are obligated to use the money in their respective general funds to pay for the functions of government.

Bossier Parish Administrator Bill Altimus said the natural gas money allows the parish to transfer more riverboat gaming revenues to capital projects, and pay parish Police Jury salaries and benefits, as well as cover personnel and operations for the parish courthouse, with more dedicated funds.

"The gas boom is really picking up some slack for us," Altimus said. "Right now it's good."

In Caddo, interim Parish Administrator Randy Lucky said boosting the general fund helps cover criminal justice expenditures, including the district attorney's office, district court and the coroner's office. And like in Bossier, the severance tax monies free up gaming money to plug other holes.

Steady future

Most production companies are optimistic about the industry's future, despite the fact that prices for October natural gas futures on Friday dropped to \$4.63 a million British thermal unit on the New York Mercantile Exchange. This is a 144 percent drop from the \$11.28 it reached on Dec. 8, 2005.

Diana Chance said prices will come down on account of production but never be really low again as they were in the late 1990s.

If the price gets below a certain point, producers will not drill, she said. Even so, there's a lot to take into account before companies will stop drilling, even when the price of natural gas drops to \$4-to-\$5 levels, she added.

But for those working the wells and rigs, such as Curtis Crawley, the price of gas needs to stay at levels to keep him and his company busy.

"I've never made this much money before," Crawley said. "I just hope the (gas) field keeps going so I can just keep experiencing what I'm experiencing and enjoy life."

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Access this story online to read a report, "High Natural Gas Prices: The Basics," by the Federal Energy Regulatory Commission.

The series

ON THE MONEY PAGE: The oil and gas industry in northwest Louisiana and the rest of the state has seen its shares of ups and downs over time.

COMING MONDAY: Many former workers from the oil industry are now in the natural gas business. Quite a few like the industry's prospects so much they've started their own companies.

Map:

Major supply areas

Regency Gas Services

The Times

Natural gas production numbers

Bossier Caddo

Jan. 2000 3.7 million 1.5 million

Jan. 2001 4.6 million 1.6 million

Jan. 2002 5.1 million 1.7 million

Jan. 2003 5.6 million 1.6 million

Jan. 2004 6.8 million 1.7 million

Jan. 2005 10 million 2.3 million

Jan. 2006 11.3 million 4.3 million

Louisiana Department of Natural Resources (measured in 1,000 cubic feet)

Natural gas money to the state

The amount in severance taxes the state has received from natural gas producers in Caddo and Bossier parishes during the recent boom.

Bossier Caddo

2003 \$8.3 million \$1.7 million

2004 \$13.4 million \$3 million

2005 \$21.1 million \$5.9 million

2006 (to July) \$14.3 million \$5.3 million

Louisiana Department of the Treasury

Rig counts

Average number of natural gas and oil rigs running north of Vernon, Rapides and Avoyelles parishes. According to the Louisiana Oil and Gas Association, more than 80 percent of these are natural gas rigs.

1970: 12

1975: 31

1980: 55

1985: 25

1990: 19

1995: 16

2000: 24

2001: 30

2002: 23

2003: 29

2004: 39

2005: 48

2006: 57 through August

Louisiana Department of Natural Resources Technology Assessment Division

Graphic:

Natural gas: From ground to grill

CenterPoint Energy

The Times

Map:

Major supply areas

Regency Gas Services

The Times

Mugs:

Evans

Chance

Joyner

Altimus

Lucky

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