History of Oil & Gas in Louisiana

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Note: This article is from the Lafayette Chapter and is the seventh in a new series submitted by SIPES Chapters.

INTRODUCTION

The oil and gas industry in Louisiana has had a remarkable past. Effective exploration and production by the industry over the years has established Louisiana’s heritage as The Energy State. The following are recent statistics as to Louisiana’s current ranking in energy among the fifty states.

LOUISIANA RANKING IN 2003

Primary Energy Production
(Including Louisiana OCS)

1st in crude oil
2nd in natural gas
2nd in total energy

Primary Energy Production
(Excluding Louisiana OCS)

3rd in natural gas
4th in crude oil
8th in total energy

Refining and Petrochemicals

2nd in refining capacity
2nd in primary petrochemical production

Energy Consumption (2000)

3rd in industrial energy
3rd in per capita energy
3rd in natural gas
5th in petroleum
8th in total energy
22nd in residential energy

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The following information on national and environmental issues was presented to the SIPES Board of Directors on September 17, 2004, in Houston, Texas by Vice President of Natural Resources David Eyler and Ray Blackhall, chairman of the SIPES Environmental Committee.

**Introduction**

Where is the excess capital going? West Texas Intermediate Crude has been above $30.00/barrel for nearly twelve months. Henry Hub spot natural gas prices have not been below $4.00/Mcf in over twelve months. Global supply is so tight the slightest hiccup due to an abnormal event that may disrupt production causes a 2.5% jump in prices. Demand shows no signs of waver even though we all know global economies can be pretty darn finicky. Historically, independents have drilled the majority of the wells in the Lower 48 but, during these times of high product prices, we are seeing only the slightest rise in drilling rig count. The only thing I can contribute the aforementioned to is the old adage from the mid-eighties. “God, please give me one more oil boom and I’ll promise not to p--- it away.”

**Economy**

Federal Reserve Chairman Alan Greenspan told Congress on September 8, 2004, that the economy has “regained some traction” after what he called a “soft patch” which was primarily a result of higher energy prices. Mr. Greenspan stated that if it were not for higher oil prices, the United States would “still be seeing some very strong growth.” The Feds are expected to raise the key rate to 1.75 percent from the current 1.50 percent at their next meeting on September 21.

The bottom line is, higher energy prices are a drain on the world economy. Most of what we see and hear in the news as a result of higher energy prices is the increased costs of gasoline, home heating oil, jet fuel, and natural gas for manufacturing as it pertains to the generation of electricity. But as prices stay high, we are beginning to see the trickle down effect of oil and natural gas being an important raw material in production of tires, plastics, fertilizers, chemicals and such. The higher cost for these by-products of oil and gas are eventually going to have to be passed on to the consumer which will slow down spending and economic growth and hence push up inflation and interest rates.

On the flip side of this thinking, Vincent Boberski of RBC Dain Rauscher writes, “Energy expenditures as a percentage of income are still very close to historic lows. For every dollar the U.S. produces in GDP today, it takes 46% less energy than it did in 1970.”

The Bush administration is projecting that the deficit for all of the 2004 budget year, which ends September 30, will be $445 billion. This year will mark the third consecutive budget deficit after four straight years of surpluses that reflected the economic boom of the 1990s. (Source: Bank of Texas, N.A.)

Interesting to note . . . has anyone else noticed that once oil topped $40/bbl we began seeing more references to, “adjusted for inflation, oil is still much less expensive than it was in the early 1980s.” One can consistently find quotes such as, “After the Arab oil embargo of the 1970s, oil prices were driven to nearly $80 a barrel in today’s dollars.” It would appear that someone out there is actually trying to put out factual information to a normally misinformed public.

**Energy Supply, Demand and Price**

Where does one begin...OPEC is doing its best to increase supplies of crude oil but is finding that it is easier said than done. Total OPEC output was up by only 80,000 barrels per day in August to an average of 29.75 million barrels per day. (Source: Platts 09/13/04). “While consumers can certainly feel encouraged by the continuing surge in OPEC output, that upward movement keeps bringing the world closer to 100% of capacity utilization,” said John Kingston, global director of oil at Platts. “This growth in output is not showing signs of building significant... (Continued)
amounts of inventory, and it raises the question of where the spare supply is going to come from should there be a disruption, or a colder than average winter. It is important to note that we are about to begin the fourth quarter, traditionally the period of highest global demand for oil.”

Texas Railroad Commissioner Charles Matthews, speaking to the Midland Chamber of Commerce, stated that in the last 60 days “it has become evident OPEC does not have the reserves and cannot increase production levels to meet the continuing rise in demand.” International Energy Agency figures estimated demand to be 81.4MM barrels per day in 2004. However, it is currently running at 82.2MM barrels per day. This is a record increase in demand of 2.5MM Bbls/day during 2004 versus 2003. IEA’s 2005 estimate is 84MM Bbls/day. IEA estimates that there is only 1MM Bbls/day of excess capacity versus 6MM Bbls/day just two years ago. (Source: Bank of Texas, N.A.)

On the natural gas supply side, it appears that the United States will be entering the high demand season with full storage. Shell Trading, N/A, is indicating that a continuation of the recent above-average injection rates will result in 100% “full” storage prior to November 1, 2004. Full is defined as the highest level seen in the period from 1992-2003.

One final note on supply — in a talk given to the Midland SIPES Chapter, Steve Melzer, #1081, a consulting engineer specializing in CO2 flooding, predicts that this coming winter will be the first time in history where CO2 demand will exceed supply. CO2 enhanced oil recovery projects contribute 170Mbo/day from the Permian Basin of West Texas and Southeastern New Mexico. (See Page 13)

There is not much sense in trying to figure out oil and gas pricing with world events like they are. On August 19, 2004, the oil markets peaked at nearly $49 per barrel. Prices have retreated somewhat but are still at near record highs. OPEC Acting Secretary General Maizur Rahman said, “OPEC is dedicated to ease market pressure but non-fundamentals are not under OPEC control.” These “non-fundamentals” are, to name a few, the unrest in Iraq and constant rebel attacks on the Iraqi oil infrastructures; Russia’s largest oil producer, Yukos Oil Company and their tax woes; and an Atlantic hurricane season that has been one of the worst on record.

According to the Wall Street Journal: “Oil has become a speculator’s paradise. Surging energy prices have attracted a horde of investors and their feverish betting on rising prices has itself contributed to the climb.” It seems pretty well accepted among all trade publications that oil prices, and to some extent gas prices, are significantly higher than the balance of supply and demand would suggest.

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Domestic Mergers and Acquisitions

XTO Energy acquires properties from ChevronTexaco – XTO Energy, formerly CrossTimbers, paid $912 million for what internal engineers estimate to be 732 billion cubic feet equivalent of natural gas. The properties are scattered in the Permian Basin, Mid-Continent area, South Texas and coal bed methane operations in the Rocky Mountains.

Newfield Exploration Company will acquire Inland Resources – Newfield, based in Houston, Texas, will pay $575 million for Denver based Inland Resources’ properties which are primarily located in the Rocky Mountain region and, more specifically, in the Uinta Basin of northeastern Utah. Internal estimates put proven oil and gas reserves at approximately 326 billion cubic feet equivalent and probable reserve estimated to be 439 billion cubic feet equivalent.

Politics

With forty-five days left until Election Day, the presidential election is heating up and the rhetoric is spewing as regularly as Old Faithful. The Democratic and Republican conventions were held during the past two months and the energy portion of their respective platforms are as follows:

The Democratic plan, “Achieving Energy Independence” included the following highlights:

- “Harnessing American ingenuity to create renewable energy (through) . . . sun, wind, water, geothermal and biomass sources, and a rich array of crops.”
- “Creating energy-efficient vehicles of tomorrow.”
- Seeking more diverse sources of oil around the world and at home through “balanced development of domestic oil supplies in areas already open for exploration, like the western and central Gulf of Mexico.”
- Creating “new technology for producing electricity in a better, more efficient manner.”
- Cutting “the federal government’s energy use.”
- Providing “real incentives for energy conservation.”

The Democrats’ plan concluded by saying “. . . we cannot drill our way to energy independence but can create, think, imagine, and invent our way there.”

The Republican plan, “Ensuring an Affordable, Reliable, More Independent Energy Supply” included the following highlights:

- “A stable, affordable, more independent energy supply is vital to fueling America’s economic growth . . . we need a comprehensive energy policy so that we will no longer lurch from one energy crisis to the next.”
- “President Bush released the National Energy Policy (NEP) report, a comprehensive plan to reduce America’s dependence on foreign sources of energy by increasing domestic energy production and supporting conservation and alternative and renewable energy. The President’s proposal would make America more energy independent while creating jobs and promoting economic growth.”
- “Using the most sophisticated technologies, we can explore and develop oil resources here at home with minimal environmental impact. Our Party continues to support energy development in the coastal plain of the Arctic National Wildlife Refuge (ANWR), which, according to the U.S. Geological Survey, holds as much as 16 billion barrels of oil – enough to replace oil imports from Saudi Arabia for nearly 20 years.”
- “Republicans strongly support removing unnecessary barriers to domestic natural gas production and expanding environmentally sound production in new areas, such as Alaska and the Rocky Mountains. Increasing supply including the construction of a new natural gas pipeline from Alaska to the lower 48, will bring needed relief to consumers and make America’s businesses more competitive in the global marketplace.”


Presidential candidates Senator John Kerry and President George Bush continue to be stark opposites on the campaign trail as it pertains to their respective views on energy. Bush is against using oil from the Strategic Petroleum Reserve, while Kerry wants to use it wisely to...

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Liquified Natural Gas (LNG) Update

There is more than one way to skin a cat as the adage “not in my backyard” has taken a backseat to some creative deal making. Russia is in the advance stages of negotiations with Mexico to begin shipments of LNG from Sakhalin, Russia to Ensenada, Mexico beginning in 2007. Ensenada is located approximately 80 miles south of San Diego, California. The plant in Ensenada would turn superchilled liquid into gas to be moved by pipeline to Superchilled liquid into gas to be moved by pipeline to the largest fine ever issued by the OCC.

The New Mexico Energy, Minerals and Natural Resources Department and the state Oil Conservation Commission is cracking down on compliance issues. A Texas oil company has been fined $270,000 for failure to bring six inactive wells into compliance with New Mexico environmental regulations. The six wells have not produced since 1999, and according to Joanna Prukop, Natural Resources Secretary, this is the largest fine ever issued by the OCC.

Bob Gallagher, president of the New Mexico Oil & Gas Association, discussed the controversy surrounding the Otero Mesa Area of New Mexico, or what Mr. Gallagher calls the “Arctic National Wildlife Refuge of the Southwest.” It is estimated that 9 trillion cubic feet of natural gas is contained in Otero Mesa, which is 1.2 million acres of Chihuahuan Desert, including 100,000 acres of grassland. The “environmental obstructionists” want to preserve those 100,000 acres of pristine grassland, “but what they neglect to tell you is that in the middle of all that is the McGregor Bombing Range.” Gallagher believes it will be many years before there is any activity on the Otero Mesa. (Source: Mella McEwen – Permian Basin Oil & Gas Report – 09/05/04)

Environmental News

Stormwater Permitting: The Fights Continue: The Environmental Protection Agency’s (EPA) regulatory effort to impose new permitting requirements on the construction of oil and natural gas exploration and production (E&P) facilities may appear dormant. In reality, industry efforts responding to EPA continue with high intensity. IPAA, other national trade associations, many cooperating associations, and numerous individual companies are actively contesting the EPA initiative on several fronts. These include legislation, litigation, and regulatory interaction. They are principally directed at EPA's incorrect interpretation of the permitting section of the Clean Water Act (Continued)
EPA is attempting to capture the construction of E&P facilities under its storm water permitting program. However, the CWA specifically excludes E&P facilities from CWA permitting for the discharge of uncleaned storm water.

EPA’s storm water permitting requirements, if applied to the construction of E&P facilities, pose a significant barrier to developing domestic production of oil and natural gas. If the permitting process is applied to these facilities, even because the acreage threshold drops to one acre or EPA’s broad definition of “common plan” moots any threshold, it will create delays and uncertainties that will reduce the number of wells drilled and result in the loss of needed new production of domestic energy. IPAA will continue to contest EPA’s approach wherever a response is necessary. Consequently, litigation may be the only alternative to correct EPA’s actions. (Source: IPAA Washington Report August 3, 2004)

Permits for Storm Water: LIOGA is currently working in conjunction with other oil and gas associations and the EPA on potential changes to the Clean Water Act (33 USC Section 1342)(1)(2) that exempts exploration and production activities which occur at oil and natural gas drill sites. If the massive expansion of the regulations being proposed by the EPA is allowed to go forward, the annual cost would be several hundred million dollars a year. IPAA will continue to contest EPA’s approach wherever a response is necessary. Consequently, litigation may be the only alternative to correct EPA’s actions. (Source: IPAA Washington Report August 3, 2004)

EPA Verifies Hydraulic Fracturing Poses No Threat: A revised report by the U.S. Environmental Protection Agency (EPA) assessing the impact of hydraulic fracturing on underground sources of drinking water (USDW) has concluded that, “. . . the injection of hydraulic fracturing fluids into CBM (coal bed methane) wells poses little or no threat to USDW,” and the agency finds no reason for further study of the issue.

This new report culminates at least four years of efforts by EPA to evaluate the fracturing process and its effect on groundwater sources. “EPA also reviewed incidents of drinking water well contamination believed to be associated with hydraulic fracturing and found no confirmed cases that are linked to fracturing fluid injection into CBM wells or subsequent underground movement of fracturing fluids,” the study states. (Source: Texas Alliance of Energy Producers July 2004)

The EPA used real world observations, gathered empirical data, and evaluated the theoretical potential for hydraulic fracturing to affect USDW. “EPA has concluded what industry has been stating,” commented Brent Cummings, OIPA Regulatory and Environmental Committee Chairman. “Hopefully this will bring to an end any discussion of additional regulations for hydraulic fracturing under the underground injection program.”

(Source: OIPA Wellhead July 2004)

EPA Releases Its Draft GOM Discharge Permit: WASHINGTON - The Environmental Protection Agency has released a draft general discharge permit for oil and gas operations in the Gulf of Mexico. The new permit will replace the previous general permit, which expired six months earlier, the National Ocean Industries Association notes. Under the Clean Water Act, the EPA must grant oil and gas operators a National Pollutant Discharge Elimination System permit for possible discharges before the companies are allowed to conduct drilling. Since the last permit expired, NOIA reports many firms have been unable to conduct drilling operations on valid leases.

(Source: www.EPA.gov)

EPA Proposes One-Year Extension for Spill Prevention, Control and Countermeasure (SPCC) Rules – An Update: The EPA announced on June 17, 2004, that it was proposing a one-year extension to the compliance dates for the Spill Prevention, Control and Countermeasure (SPCC) rules published in July 2002. The new proposed deadlines will be August 17, 2005 to update your SPCC plans, and February 18, 2006 to implement the amended plans.

The EPA proposed the extension to allow the regulated community time to update their plans and to alleviate the need for individual extension requests from the upcoming compliance deadlines (August 2004) since the settlement agreement between EPA and API and others was made public in March 2004.

OJPA submitted comments to EPA on July 1 recommending an 18-month extension. OJPA believes this is a more realistic and appropriate time frame given the myriad of issues at hand. Those issues include the following:

- Allowing time for EPA to clarify the lawsuit settlement agreement issues through the rulemaking process instead of through a policy document and/or discretionary enforcement guidelines
- Fully evaluate the burden of the SPCC requirements on smaller facilities
- Develop alternative approaches for independent producers that operate wells that are considered marginally productive
- Address and propose appropriate rules regarding independent oil and gas operator’s issues
- Conduct training sessions for smaller companies without environmental staff
- Allow industry more time to better understand the data on which EPA is basing its regulatory changes.

The EPA provided an 18-month extension in April 2003; however, the litigation between EPA and API and others limited any opportunity for open and useful discussions of independent operator’s issues. (Source: OIPA Wellhead July 2004)

Mouse that Cost Economy $100 Million May Never Have Existed: After six years of Endangered Species Act (ESA) regulations and restrictions that have cost builders, local governments, and landowners on the western fringe
of the Great Plains as much as $100 million by some estimates, new research suggests the allegedly endangered Preble's mouse never existed. Instead, it seems to be genetically identical to a cousin considered common enough not to need the federal government's protection.

Seeking to forestall the extinction of various animal and plant species, Congress passed the Endangered Species Act in 1973. To most people, it seemed like a wonderful, compassionate gesture. To experts such as Edwards who actually read the act, however, it was obvious that a powerful group of dedicated anti-humans had been given almost unlimited power to enforce regulations so loosely written they could mean whatever the administrators wanted them to mean. Individuals accused of harming a species or habitat could be and have been imprisoned, even though “harm” and “species” were not clearly defined in the original bill.

More than 30 years later, as a result of the ESA, billions of dollars have been wasted, hundreds of thousands of jobs have been lost, and millions of acres of private land have been rendered useless.

Many populations of animals and plants have disappeared from North America, even in areas undisturbed by humans. Degenerate evolution and failure to adapt to environmental changes continue to weed out unsuccessful forms of life through entirely natural processes. It is generally acknowledged that more than 90 percent of animal species on Earth became extinct millennia before humans appeared. And of course, they all became rare before they became extinct.

Is there any difference between rare species of animals or plants and endangered species? Should Herculean efforts, observers wonder, be made to save them all, or should events be permitted to take their natural course? Jim Sims of the Partnership for the West, who coordinated the group’s effort to stop the non-endangered Greater Sage Grouse from being placed on the endangered species list, told U.S. Newswire on May 18, “In the 30 years since it was enacted, ESA has notched a 99 percent failure rate at recovering species. The U.S. Fish and Wildlife Service’s own data show that only 12 of the law’s roughly 1,300 protected species recovered. That is a success of less than one percent.

“Those who want to see federal takeover of state and local conservation efforts don’t really care about the Sage Grouse as a species,” continued Sims. “If they did, they would not be fighting for the ESA listing, which perversely discourages active conservation measures.” Concluded Sims, “These fringe activists really want to use this law to take away private property, run farmers off their land, stop all natural resource development, raise energy prices, and turn back the clock of progress in the West.” (Source: The Heartland Institute, August 2004)

EPA Regulation Impedes Oil-Spill Cleanup: EPA's regulation requires costly case-by-case government review of virtually all field trials of gene-spliced microorganisms. “Naturally occurring” organisms are exempt from this process, however, even if they might foul waterways, or pose other serious environmental or public health risks. The bottom line is that organisms crafted with the newest, most sophisticated, and most precise genetic techniques are subject to discriminatory, extraordinary regulation. Research proposals for field trials must be reviewed case by case, and companies face uncertainty about ultimately obtaining commercial approvals, even if products should prove safe and effective.

Government policymakers seem oblivious to the power of regulatory roadblocks. The expense and uncertainty of R&D with gene-spliced organisms have virtually eliminated the new biotechnology from application to bioremediation. Companies know that experiments using the new biotechnology will meet a wall of red-tape, politics, and vast expense. Unscientific and regressive regulatory policies have already left a legacy of environmental damage and reliance on inferior methods for the cleanup of wastes. Too bad for the Spanish fishing industry and for the victims of future spills.

Interesting fact:


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With this update on the current status of the oil and gas industry in Louisiana, a turn back of the clock and a review of the history of oil and gas in Louisiana are in order.

**EARLY EXPLORATION**

The first well drilled in Louisiana was around 1865. Louisiana Oil and Gas Company drilled a well about 15 miles west of Lake Charles in search of oil. Instead of finding oil, the well encountered sulphur associated with a salt dome. Later in 1870, natural gas was accidentally discovered near Shreveport in an artesian water well. Gas from the well was piped to provide illumination for an ice plant. This was the first use of natural gas in Louisiana. A few other unsuccessful wells were drilled in the late 1800s and because of discouraging results it was not until the great Spindletop Gusher near Beaumont, Texas in early 1901, which produced over 100,000 barrels per day from 1020 feet, that oil fever once again hit Louisiana.

The first oil well drilled in Louisiana was in 1901 in a rice field near Jennings, Louisiana. Jules Clement, the landowner, had noticed gas seeps in his rice field. To test for gas, he placed a stove pipe over the seep and put a match to it. It ignited and burned. As a result, a number of businessmen formed a company with Jules Clement and acquired leases in the vicinity of the seep.

Scott Haywood, an adventurer and successful wildcatter in Texas, was contacted to see if he would drill the area. After examining the gas seep, he agreed to drill two wells of 1,000 feet for a half interest in the acreage. A rig was moved from Texas and drilling began on the Jennings Oil Company - Clement No. 1 on June 15, 1901.

The first well twisted off the drill pipe at 400 feet and the rig was skidded to begin a second well which was drilled to 1000 feet without shows. After renegotiating the contract with Spencer and Company, Haywood agreed on September 11, 1901, to drill to 1500 feet. The test well had no oil shows to 1500 feet, but Haywood drilled on to 1700 feet where 110 feet of oil sand was encountered. On September 21, 1901, the well was successfully tested flowing a 4-inch stream of oil spewing over 100 feet into the air. On that day, Louisiana’s illustrious oil industry was born. Wells were being drilled and produced all over Louisiana.

Initial exploration efforts after the Jennings discovery was looking for salt domes. The next major technological improvement came in 1923 when seismic exploration was begun in the Gulf Coast. This opened up new opportunities for exploration and resulted in the discovery of many of South Louisiana’s largest fields. Seismic was first used extensively onshore and later offshore.

**THE MOVE OFFSHORE**

Offshore exploration did not begin until 1934 when the Texas Company (precursor to Texaco) drilled a well one mile from the shoreline of Louisiana. The offshore drilling industry was born. In 1947, the first bottom-supported platform was constructed by Kerr McGee in 18 feet of water, 12 miles offshore beyond the sight of land. It cost $230,000 to build, an unheard of amount of money for that time. By the 1950s, 92 offshore platforms had been placed in water to depths of 100 feet. By the end of the ‘60s, some 500 platforms had been constructed in water up to 350 feet deep. By the end of the ‘70s over 12,500 offshore platforms were producing hydrocarbons on the continental shelf of the Gulf of Mexico with the cumulative development costs for these platforms exceeding $12 billion. In 1979, Shell Oil Company installed the Cognac Platform in slightly over 1,000 feet of water just beyond the edge of the continental shelf at a cost of over $250 million. Since 1979, the industry has continued to venture into deeper water in the Gulf of Mexico. The deepest to date is in water greater than 10,000 feet.

Offshore construction has constantly pushed the limits of what is possible. In 1989, the first tension leg platform was installed by Conoco. This platform floats on the surface and is connected to a foundation template on the sea floor by tubular steel tendons. This platform was placed in 1,760 feet of water about 170 miles southwest of New Orleans. The latest technique for production is the use of subsea completions in the Gulf.

**NEW TECHNIQUES FOR EXPLORATION**

The last 15 years have seen tremendous improvement in the application of technology to lower the drilling risk. The largest contribution has come from the widespread use of 3D seismic technology. This technology provides clear images of the deep subsurface and with the application of high speed computers has significantly enhanced the interpretation of the 3D seismic data. In many instances, amplitudes can be recognized as direct evidence of hydrocarbon accumulations in the subsurface.

**HISTORY OF LOUISIANA OFFICE OF CONSERVATION**

Any history of the oil and gas industry would not be complete without discussing the history of the Louisiana Office of Conservation. The Louisiana Commission for the conservation of natural resources was created in 1908. It was established to address general problems of the State of Louisiana. Act 127 of 1912 expanded the authority of the

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Conservation Commissioner to protect the state’s natural resources. Some of the regulations relating to oil and gas established by Act 127 required drilling permits with maps showing location, required the use of surface casing and cement and that dry holes be plugged.

The Department of Conservation was created in 1910 and placed under the authority of the Conservation Commissioner. Act 157 of 1940 granted statutory authority to the Commissioner of Conservation to accomplish forced unitization. This act contributed to the spectacular growth of the oil and gas industry in the State of Louisiana. Forced unitization has prevented the drilling of a myriad of unnecessary wells and in most cases a much more efficient recovery of hydrocarbons in each reservoir. This act has also allowed an operator to lawfully protect his acreage portion by saving expensive leases and eliminating expensive delay rental payments. Unquestionably, the orderly drilling and production procedures established by Act 157 and administered by the Commissioner of Conservation have played an important role in lifting Louisiana to its position as the number one oil producer of Conservation have played an important role in lifting Louisiana to its position as the number one oil producer.


- State-controlled crude oil and condensate production peaked at 566 million barrels per year in 1970, declined to 127 million barrels in 1994, recovered to 129 million barrels in 1996 and declined to 90.1 million barrels in 2003.

- State-controlled crude oil production is on a long-term decline rate of 4.4% per year, though the current short-term (2003-2007) forecast decline is around 4.5% per year.

- Louisiana OCS territory has produced 90.5% of the 13.4 billion barrels of crude oil and condensate and 81.5% of the 143 TCF of natural gas extracted from all federal OCS territories through the end of 2003.

- Louisiana OCS gas production peaked at 4.16 TCF per year in 1979, declined to 3.0 TCF in 1989, and increased to 3.72 TCF in 2003.

- Louisiana OCS crude oil and condensate production first peaked at 388 million barrels per year in 1972 and declined to 246 million barrels in 1989. In this decade, the production has steadily risen from 264 million barrels in 1990 to 502 million barrels in 2003 due to the development of deep water drilling.

**PRODUCTION STATISTICS**

- **State-controlled (i.e., excluding OCS) natural gas production peaked at 5.6 TCF per year in 1970, declined to 1.5 TCF in 1995, and rebounded 4.5% to 1.6 TCF in 1996.** The 1998 gas production was approximately 1.6 TCF and the 2003 production was around 1.3 TCF.

- Louisiana OCS territory has produced 90.5% of the 13.4 billion barrels of crude oil and condensate and 81.5% of the 143 TCF of natural gas extracted from all federal OCS territories through the end of 2003.

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**DRILLING STATISTICS**

- Drilling permits issued on state-controlled territory peaked at 7,631 permits in 1984 and declined to a low of 1,017 permits in 1999. In 2000, drilling permits rebounded to 1,453, and in 2003 drilling permits increased to 1,264.

- The average active rotary rig count for Louisiana, excluding OCS, reached a high of 386 rigs in 1981 and reached a low of 64 rigs in 1993. By 1997, the average rose back to 120 active rigs, in 1999 the average dropped again to 65 rigs, and in 2001 it recovered to 108 active rigs.

- The 2003 average active rotary rig count for Louisiana OCS was 76 rigs. The highest active rotary rig count was 107 rigs recorded in 2000. In 1999, the average active rig count was 76, or 16.6% lower than the 1998 average active rotary rigs.

**HISTORY OF ECONOMIC IMPACT ON LOUISIANA**

Finally, the oil and gas industry has been a prodigious economic engine for the Louisiana economy. At the peak in 1981-82, oil and gas revenues from severance, royalties and bonuses amounted to $1.6 billion or 41% of total taxes, licenses and fees collected by Louisiana. For the year 2003, these revenues were $731 million, about 9% of total taxes, licenses and fees. This percentage has declined over the years because oil and gas production has declined and the state budget has grown tremendously.

An economic impact study conducted by Dr. Loren Scott shows that the total direct and indirect impact on the state is approximately $65 billion. The direct impact comes from the taxes, royalties, fees, salaries, and other money spent in Louisiana by the oil and gas industry. The indirect impact results from the salaries and wages earned by oil and gas employees being spent in the state as well as service companies, which do business with oil and gas companies and then do business with other companies.

A study conducted by Applied Technology Research, Inc. shows that the offshore industry has a direct impact of $3 billion on the state. The offshore industry pays more than $500 million in salaries and wages to people working in the Gulf of Mexico. Another $2.5 billion is spent with companies operating in Louisiana and doing business with the offshore industry.

**CONCLUSION**

Louisiana has had an illustrious past in oil and gas drilling and production. Since Spindletop in 1901, Louisiana has had approximately 1,165,000 producing wells drilled. These wells have produced 25.2 billion barrels of oil and 214 trillion cubic feet of gas. Yet, the future for oil and gas in Louisiana remains bright. Recent deep drilling onshore in South Louisiana below 16,000 feet has resulted in the discovery of large new reserves of natural gas and has opened up a new exploration province. Development of the deep potential onshore along with the deep water trend offshore assures that Louisiana will continue to be a leading producer of oil and gas in the future.
BIOGRAPHY

Frank W. Harrison, Jr. is a consulting geologist and independent in Lafayette, Louisiana. He is president and owner of Optimistic Oil Company. After receiving a B.S. degree in petroleum geology from Louisiana State University, he spent four years with Union Producing Company as a draftsman, geological scout, and geologist in Mississippi and Louisiana. Upon completing two years of service in the United States Army, he joined Seaboard Oil Company as a geologist in New Orleans. From 1956 to 1957 he was district geologist for Transtex Drilling Company in Lafayette, Louisiana, and later served as head geologist of American Natural Gas Production Company's Lafayette office from 1957 to 1959. He became an independent geologist in 1959. Born in Bastrop, Louisiana, Mr. Harrison has written and published numerous papers on South Louisiana geology. He is a member of the Geological Society of America, the Independent Petroleum Association of America, the Society of Independent Professional Earth Scientists, and is an honorary member and past president of the Lafayette Geological Society. He is also a past president of the American Association of Petroleum Geologists, and past president of the American Geological Institute. He serves on the Advisory Board of Directors of Entergy Louisiana, and is a director of the LSU Foundation and the American Geological Institute Foundation. In March, he was honored by the Drake Foundation with the Colonel Edwin L. Drake Legendary Oilman Award.

FURTHER READING

8. "Geology of Oil," Steven Cooperman, Ph.D.
10. Louisiana Oil & Gas Industry Overview, La. Mid-Continent Oil & Gas Association.
The Houston Chapter has been involved with several special events this summer. At APPEX, held this past September in Houston, Houston Chapter members volunteered to help staff the registration desk, stuff attendee bags, and assist exhibitors with any needs at their booth. The “booth doctors” looked very professional attending to business in their white lab coats.

The Houston Chapter Fall Seminar was held September 30, and drew 146 people to view 16 talks on the topic, “New Reserves from Mature Trends in the Onshore Gulf Coast.” Dr. Tom Ewing, of San Antonio, moderated. Houston Chapter Continuing Education Chairman, Scott Sechrist, did a superlative job of coordinating this ambitious and well-received program.

The Houston Research Center is to be thanked for providing whole cores pertinent to some of the talks. The Houston Chapter would like to thank its program sponsors Core Labs, GeoPLUS – Petra, WesternGeco, Reservoir Geophysical, and Veritas Geophysical.

Technical Program Chairman John Parrish spoke on “Geophysics, Metaphysics, and the Independent Geologist” at our July luncheon. Four aspects were highlighted: the science of geology, the art of interpretation, the science of geophysics, and the engineering properties of fluids and rocks (mostly petrophysical properties). The goals and needs of the practitioners of these various components are not identical. Thus, engineers focus primarily on using geoscience to reduce uncertainty when making critical business decisions. Geoscience, in engineering terms, is expected to focus on providing a 3-D picture of porosity and permeability.

3-D seismic alone is not enough. Integrated interpretation combines the available observations with esthetic and ethical constraints. The art of interpretation therefore involves best practices, good business sense, a fit of the interpretation to meet project goals, avoiding pitfalls, and asking better questions.

The bottom line is integrated interpretation must lead to asking better questions so as to improve the ethical and esthetic constraints, explain the knowledge derived, and reduce uncertainties.

Dr. Victor T. Jones III informed August luncheon attendees of the value of properly planning and analyzing geochemical surveys to reduce drilling risk. The design phase of reconnaissance and detailed grids should include careful planning of sampling densities based on the morphology of the formation targeted. This technology is ideal for spotting wells to tap relatively shallow stratigraphically-complex reservoirs with inhomogeneous porosity and permeability. Numerous examples of the successful use of gas soil surveys were shown, and arguments were presented to support the claim that ethane is not of inorganic origin.

The importance of amplitude versus offset as an analytical tool in prospect generation was underscored when e-Seis co-founder, and chief technology officer, Roger Young, drew a record number of attendees to the September luncheon to learn about AVO response classification. AVO analysis has replaced the bright spot as the “must-have” technological risk-reducer for the modern prospect. Expanding AVO classifications from four or five to ten, is said to provide a framework for systematically investigating rock and fluid properties with seismic data. One should view more than normal incidence seismic by rotating through all angles, for it may be a signal from a 15 or 45 degree offset that brings a targeted gas sand into focus.

Included in the audience were members of the SIPES Board of Directors, who held a quarterly meeting in Houston. Local member Scott Laurent and his wife, Carlita, hosted a cocktail party for directors during their visit to Houston, where board members also had an opportunity to meet with Houston Chapter officers and past presidents.
DENVER
The Denver Chapter of SIPES did not meet in June, as is customary, but resumed activities with its annual picnic held August 12 at Addenbrooke Park in Arvada, Colorado. The chapter was greeted with a typically beautiful Colorado summer day and a good time was had by all.

The luncheon meeting schedule resumed in September at the Wynkoop Brewery in lower downtown Denver with a presentation by Mike Cruson, #583, on his experiences doing business in the Former Soviet Union. Mike is the program chairman for the Denver chapter, and his presentation was titled “A Post–Perestroika walk about in the Former Soviet Union.”

Mr. Cruson has made forty trips to the former Soviet Union since Perestroika. His first trip was in 1991 when they were still fighting in Moscow, and his most recent trip was in May of this year. He has seen the former Soviet Union from east to west. The early work consisted of consulting for a New York based Georgian emigrant. As the Soviet Union fell apart, all types of industries were available to presentable westerners. The distinguished New York lawyer and his expert, whose expertise ran from gold mines to petrochemical industries, had all kinds of opportunities. Major mining companies, however, were slower to move into the FSU.

Mr. Cruson’s earlier trips made him a ready expert in copper and gold consulting. Work was performed for Phelps Dodge, Cyprus Mines, and Sumitomo as well as smaller Russian, Australian and U.S. mining companies. His most recent efforts have been as a small independent in the oil and gas sector as well as gold mining opportunities. The next trip will be in October to evaluate a gold project in Kyrgyzstan, natural gas in Moldova, and oil in Kazakhstan.

Bill Miller
Secretary

FORT WORTH
The Fort Worth Chapter took a one-month summer sabbatical before renewing our enthusiasms for the benefits of networking and trading some of our scientific knowledge.

The September meeting featured John Sharry, an oil and gas information technology guru. John is a member of the Amigos Energy Advisors LLC Consulting Group. This group is an amalgamation of geoscientists who are specialists in every field of exploration endeavor. John has a Ph.D. from MIT. He is an active member of AAPG, GSA, the American Geophysical Union, and SPE.

His presentation was a clear description of GIS files (Geologic Information Systems) and how they can be used. GIS is readily available and is used in many of our exploration and geographic applications. After illustrating the difference between vector and raster data, he described where you can obtain topographic maps, air photos, satellite images, and elevation data, usually for FREE. John concluded his talk by presenting several free programs and a commercial program for viewing and manipulating GIS data.

During this meeting, Terri Mayfield-Cowan, treasurer and membership chairman, introduced new member Mark Smith. Mark is president of M.E. Operating and Services, Inc. He and his partner, Chuck Wheeler, have been very busy taking care of geologic services for operators in the Barnett Shale drilling boom.

Louis Du Bois, #2511
Fort Worth Chapter

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Available from the Dallas office for $15 each
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**LAFAYETTE**

During the months of July and August, the Lafayette Chapter did not hold any meetings. In our September meeting, Chairman Bill Finley advised us about the October 9 dove hunt which was subsequently cancelled due to weather. Mr. Finley also announced the December 8 Christmas Party. Jim Applegate was named as our new national director.

Vice chairman Jim Gamble then introduced our guest speaker, James Willis, Ph.D. who discussed his paper, “Salt Related Basin and Dome Formation: Gulf of Mexico Examples with Field, Model and Planetary Analogues,” co-authored with Dan Ruberg, M.S. This was a very interesting talk and Mr. Willis acknowledged the SIPES Foundation Scholarship Award that he received in 1989 while studying at the University of Southwestern Louisiana for his B.S. degree in geology.

David Dupre
Secretary

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**DALLAS**

The Dallas Chapter summer quarter began with a July luncheon presentation by John Walker, chairman of the IPAA. John reviewed the accomplishments of the nation’s independents in drilling most of our domestic wells, and providing a secure, stable, low-cost energy supply. He also discussed many of the major issues facing the domestic industry today, including access to federal lands, technology, regulation, environmental issues and encouraged those active in the industry to become more involved in the growing energy debate involving legislation, supply and environmental issues.

In August, the Chapter took a break from the monthly luncheon schedule which resumed in September when Dallas Chapter member Woody Leel, #2980, discussed developments in “International Exploration” with examples from the Triton Energy Exploration program.

Mark Mathisen
Secretary

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**MIDLAND**

Ramona Graves of Colorado School of Mines, spoke to the Midland membership in July. Her topic was “Star Wars Meets the Oil Patch.” She discussed the potential use of lasers in the oil patch and how, in the not too distant future, they may dramatically change the way wells are drilled, perforated and even stimulated. Dr. Graves was a most informative and entertaining speaker and was enthusiastically thanked by those present.

Steve Melzer speaking at the September meeting.

In August, Tim Merrill with Bank of Texas in Dallas came out to Midland and gave the members and guests the bank’s view of oil prices and energy markets. Tim reported that, in general, financial markets are bullish on oil for some time, as evidenced by high futures contract prices. Strong demand worldwide created tight supplies and led to the current increased prices. Barring a major global economic slowdown, Tim reported that this trend should continue. His audience enthusiastically approved of his view.

At the September meeting, a large crowd was treated to an informative talk on “CO2 Enhanced Oil Recovery” by Steve Melzer, #1081. Steve is a petroleum engineer and directs the annual CO2 Flooding Conference held in Midland. The Permian Basin is the center of enhanced oil recovery using CO2 with almost two-thirds of the total projects in the world. Additionally, the emerging area of CO2 sequestration is a prime candidate for location in the Permian Basin because of existing expertise, infrastructure, and geology. Those in attendance came away with a much better understanding of the current state of the CO2 industry.

Greg Hair
Secretary

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NEW ORLEANS
After a summer break, the New Orleans Chapter hosted Bobby Jindal, Republican candidate for the Second Congressional District, U.S. House of Representatives at our September meeting. Mr. Jindal has served in a number of appointive positions both in Louisiana, as well as the Federal government. His talk focused on five issues:
- The war on terrorism
- Healthcare reform
- The exodus of population from Louisiana
- The seniority of elected officials in the State of Louisiana and the regulatory issues that confront them
- The family

Our new officers for 2004-05 include Rodney Rymer, chairman; Ken Huffman, treasurer; and Tom Klekamp, secretary. Committee chairpersons include Louis Lemarie’, entertainment; Jeanne Phelps, newsletter editor; Tony Carollo, membership; Roy Lassus, continuing education; and Al Baker, historical and remembrances. Our national director is Jim Zotkiewicz.

Tom Klekamp
Secretary

WELCOME NEW MEMBERS
The following new members were approved by the SIPES Membership Committee from June 26 to September 14, 2004:

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<th>NAME</th>
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<td>M. Austin</td>
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IN MEMORIAM
We regret to note the passing of the following members:

- Robert J. Beams, #321 of Dallas, Texas who died on October 15, 2004
- George R. Gibson, #112 of Midland, Texas who died on August 19, 2004
- Michel T. Halbouty, #33 of Houston, Texas who died on November 6, 2004
- Leonard A. Nelson, #1818 of Sedalia, Colorado who died on November 3, 2004
CORPUS CHRISTI

John F. Parrish, #2923, an independent geophysicist with Periseis Company, delivered the July presentation entitled “Geophysics, Metaphysics, and the Independent Geologist.” It was very informative.

During our August meeting, we were pleased to have Ronald R. Kitchens, president and chief executive officer of the Corpus Christi Regional Economic Development Corporation as our guest speaker. Ron Kitchens has, in a short tenure and a down economic period, worked to bring to the area more than 35,000 direct and indirect jobs that have paid more than $969 million in salaries. These companies have contributed over $700 million in additional annual taxable sales to the economy and bolstered the tax rolls by more than $4.7 billion. We were pleased to have someone who has done so much for our community come talk to us.

The Corpus Christi SIPES Chapter had a membership kick-off drive at Joe’s Crab Shack on the Bay. We had a big turn out with many prospective members on such a perfect afternoon. We would like to welcome our newest member Stephen Hamilton Thomas.

WICHITA

After a summer break, the Wichita Chapter held our Annual Steak Sizzle on Friday, September 10th at Chapter Chairman Terry McLeod’s place south of Wichita on the Arkansas River. The event was well-attended, and the food was excellent. A good time was had by all.

On Tuesday, September 21st the chapter held a joint luncheon meeting with the Wichita Chapter of SPE at the Wichita Petroleum Club. The featured speaker was Mike DePriest, Senior Vice President of GE Capitol who presented an outstanding program on GE Capitol’s portfolio, and equity financing in the acquisition of oil and gas properties. Planning is underway for additional programs scheduled during 2004-2005.

SIPES Chapter Meeting Information

ARK-LA-TEX
Chairman: Ralph Richardson
Secretary/Treasurer: Dan Scurlock
Meet: Petroleum Club
Smackover Room
4th Tuesday

AUSTIN
Chairman: Tom Miles
V-Chrmn: TBA
Secretary: TBA
Treasurer: Bill Walker
Meet: Various Locations
3rd Wednesday

CORPUS CHRISTI
Chairman: Ed Riddle
V-Chrmn: Brent Hopkins
Secretary: Ed Egger
Treasurer: Mike Bergsma
Meet: Town Club
Last Tuesday of month

DALLAS
Chairman: Jerry Watkins
V-Chrmn: Eddie Rhea
Secretary: Mark Mathisen
Treasurer: Richard Thompson
Meet: Royal Oaks Country Club
3rd Tuesday

DENVER
Chairman: Lon McCarley
V-Chrmn: Mike Cruson
Secretary: Bill Miller
Treasurer: Sue Cluff
Meet: Wynkoop Brewing Co.
4th Thursday

HOUSTON
Chairman: Phil Martin
V-Chrmn: Wulf Massell
Secretary: Jeannie Mallick
Treasurer: Larry Raiden
Meet: Petroleum Club
3rd Thursday

LAFAYETTE
Chairman: Bill Finley
V-Chrmn: Jim Gamble
Secretary/Treasurer: David Dupre
Meet: Petroleum Club
2nd Wednesday

MIDLAND
Chairman: Jack Naumann, Jr.
V-Chrmn: Marc Maddox
Secretary: Greg Hair
Treasurer: George Friesen
Meet: Midland Country Club
3rd Wednesday

NEW ORLEANS
Chairman: Rodney Rymer
V-Chrmn: TBA
Secretary: Tom Klekamp
Treasurer: Ken Huffman
Meet: City Club of New Orleans
3rd Tuesday

OKLAHOMA CITY
Chairman: Tom Smith
V-Chrmn: Tom Rowland
Secretary: Mike Pollok
Treasurer: Victor Cooper
Meet: The Petroleum Club
Bank One Bldg., 35th Floor
1st Wednesday

SAN ANTONIO
Chairman: Stewart Chuber
V-Chrmn: Donna Balin
Secretary/Treasurer: Joe Finger
Meet: Petroleum Club
3rd Thursday

WICHITA
Chairman: Terry McLeod
V-Chrmn: Dan Reynolds
Secretary: Orvie Howell
Treasurer: Doug McGinness II
Meet: Petroleum Club
Meeting date varies
President’s Column Continued

one more oil boom, and I promise not to ____ it up this time?"

Speaking of the up and down 1980s, when I went totally on my own back in 1981, one of my geologist buddies told me that the way “real” explorationists find oil and gas is by creating trend maps. So, I picked an area, Lavaca County, Texas, which had a multitude of objectives from the shallow Miocene to the deep Wilcox. I sharpened my pencil, bought a good eraser, pulled about 200 logs and started correlating. It didn’t take too long before I identified a small down-thrown Yegua feature that had two nearby look-a-likes, which had both produced over 500,000 bbl of oil. The prospect had two good control points on the down-thrown side and an estimated pick with good fault control from a well which was immediately upthrown. There were no seismic lines available that ran across the feature to condemn the idea. In my mind, there was no need to spend money on seismic acquisition, since there was only one way to interpret the geology, and that was as a down-thrown, four-way closure. This was going to be an easy sell.

I have yet to find the perfect prospect, one in which there are no issues with geology, seismic, land or engineering, and this one was no different. The structure mapped out as being less than 200 acres, but the prospect fell on three different ownership tracts. I wound up leasing 800 acres at over $150/acre and had to acquire a farm-in on the third tract. That was a substantial financial commitment for me at the time. Eventually all of the land issues were cleared up and the prospect was packaged and ready for the streets. But, by this time the industry was in severe contraction and finding investment money was becoming increasingly difficult.

Every two weeks or so, I would make six to eight appointments in Houston or Dallas, load up my maps, logs and prospect brochures and hit the road. Then I would return to Corpus Christi and wait for that phone call from a buyer. After about ten months of rejections, I was beginning to feel somewhat disillusioned. I paid the first year’s rentals (ouch), repackaged the prospect with another nearby Yegua idea and hit the streets again. The second idea sold fairly quickly, but the buyers were only interested in the second prospect. We drilled a dry hole on idea number two, and now I’m really feeling the pressure. I’d spent over a year and a half on this area and all I had to show for my effort was a dry hole and a $150,000 cash deficit.

But, by the grace of God, my luck started to change. Besides, financially, I had no choice but to proceed. After some 65 rejections, I put this prospect in front of a company who coincidently was working the deep Wilcox in the immediate area. They weren’t the least bit interested in my Yegua idea, but eagerly pursued a seismic option on the acreage for the deep Wilcox. I made enough on the option to pay the second year’s rentals, kept the shallow rights and got free seismic data right across my prospect. It made me pretty nervous knowing that the seismic could possibly condemn the idea.

I never will forget the telephone call from the geologist after he received the processed seismic. His words: “Nice little Yegua ditty” got me excited. I drove to Houston the next day to pick up my copies of the seismic. It is funny how quickly fortunes can change. The Houston company exercised their option on the deep Wilcox and I had all of my acreage money back. With the seismic, I was then able to easily sell the shallow Yegua prospect, but with an even bigger promotion.

The Yegua idea drilled out as I had originally mapped it, but like most ideas, in reality it was only about half as big as advertised. It still worked out pretty well for me. I was in the cash until water and the oil price crash hit simultaneously in 1987. Oh well, it was fun while it lasted.

I also learned that bank debt based on $40/bbl oil can be rather devastating when oil hits $9/bbl. That’s another article on survival that I’ll save for some other time.

Everyone out there has a story like the one above and we all like to talk about our successes. Our dry holes quickly fade into the recesses of our memories and are not often recounted in public. Why would you want to talk about them?

In Santa Fe, New Mexico on the last weekend of April, we will hold our National convention. This year’s theme is the “Art of the Deal” and this is your opportunity to talk about your successes or to find out how someone else dealt with the adversities of prospect acquisition, intricacies of deal structure, marketing, drilling issues, development, and asset management. If you have a great success story and would like to share it with the rest of the SIPES membership, Mike Pollock, our convention chair, would like to hear from you, or you can contact me. I can guarantee that the convention will be a fun time and a great opportunity to network with your contemporaries. Perhaps you might even discover something that is valuable to your current prospect. Please put the dates of April 28 through 30 on your calendar and plan to be there.

One last thing, I haven’t forgotten the promise I made to God back in 1987. I’m too old to “____ this one up” and then wait another 20 years for the next boom. Thank you God for second chances.

Respectfully submitted,
Brian S. Calhoun

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Use New Software and the Internet to Market, Sell and Collaborate on Prospects and Drilling Projects

by Mickey Henry, Petris Technology, Inc. – Houston, Texas

ABSTRACT

Like drilling technology, software technology is helping the energy industry conduct its business more efficiently. Improvements in software applications, faster Internet connections, and growing acceptance of conducting business online are factors accelerating the use of the Internet for sharing oil and gas project data. Internet data rooms, also called IDRs, are gaining acceptance as a cost-effective method for acquiring and selling properties. They are easier to configure than traditional print packages (which still require much copying and packaging) and faster and more efficient than express delivery services, particularly if multiple packages must be sent. IDRs allow third parties, whether they are partners or potential investors, to see properties in minutes, rather than days or weeks, and provide benefits that go well beyond the direct savings of reproduction and express delivery charges. Petris has recently enhanced its IDR technology, allowing a seller to publish relevant data securely in an online web-based data room for viewing within minutes by invited parties. This article provides an overview of this application, example user benefits, and case studies from several users.

BUSINESS ONLINE IS BUSINESS AS USUAL

The number of online transactions is increasing, as doing business online becomes widely accepted and trust in the security of the transaction increases. For instance, Verisign, a leading provider of Internet security, saw a 60% increase in transactions during the November-December 2003 period as compared to the same period the prior year. Virtually all types of financial transactions, from routine bill paying to bank account management to mortgage and loan application and processing, are now being conducted online. The security and technology have reached a level of acceptability to the market, and the efficiencies gained by using the Internet are forcing companies that want to remain competitive, to move as many transactions as possible to the Internet. Similarly, acquisition and divestiture has benefitted from the use of online marketplaces. Most major E&P transaction advisors and investment banks use IDRs to supplement or, in some cases, replace their physical data rooms. For example, Lehman Brothers Energy group in Houston has used the Petris IDR to assist in the sale of two energy-related companies, and is starting a third project this fall. Greg Pipkin, managing partner, appreciates the efficiencies his staff realizes when marketing a project. Rather than spending hours organizing, copying and sending out multiple copies of data sets, the package is simply published online. Invited prospects (investors or companies) view the data from their home or office. After using the PetrisWINDS Internet Data Room for the first time, Lehman Brothers saw a dramatic reduction in the time it normally takes to organize and distribute data to prospective investors. Lehman and its client control which parties have access to the secure data sets. Administrative tools integrated into the application also allow Lehman to monitor user activity during marketing, and this provided helpful real-time market feedback.

WHERE SIZE DOESN'T MATTER — HELPING SMALLER INDEPENDENTS COMPETE EFFECTIVELY IN THE MARKET

Online data rooms are not just for large companies. In fact, smaller independents reduce their marketing costs while greatly raising their visibility by using an IDR for property transactions. The Internet provides a more level playing field on which to compete, making small properties just as accessible as ones marketed by the majors. For instance, a new software license plan from Petris is custom-tailored for the small independent and prospect generators. At the recent APPEX show, Petris hosted APPEX Online (http://apex.petris.com), offering more than 100 listings. A.T. Green, Jr., #689, a past president of SIPES, decided after reviewing a demo of APPEX Online, to license a special branded version of the Petris IDR for his company, Green Exploration. A.T. sees that he might save marketing costs, but believes the real advantage is the simple and straightforward access to the site through the Internet. Within one week, he was loading directly into his site. A.T., who admitted he is not as computer savvy as the X Generation, says, “As I get more experience with the application, and I discover more ways to link my site to other sites, I expect to become much more effective in marketing prospects and collaborating with partners and third parties.”

IT’S NOT FOR COMPUTER TECHIES ONLY

The Petris software was built so that any moderately Internet-experienced surfer could upload, move, rename, and delete data contained in folders and documents. Programming ability or web guru status isn’t required. Mickey Henry, Vice President and Product Manager for the Petris IDR, notes: “If you can attach a document to an email, then you can publish data on the Internet in your own privately-controlled web site.” Publishing data requires no conversion – all you must do is browse your desktop, laptop or CD, find the specific document, and post online using the IDR tool set. The active directory of contents displays folders and documents much like the Microsoft tree hierarchy. Viewers simply open a folder and then click on the document name to see the data in the viewing window.

IT’S NOT JUST FOR SELLING PROSPECTS — IT’S ALSO ABOUT COLLABORATION

There are more reasons to share data online than simply selling prospects or looking for investors. One small independent E&P company in Houston plans on using the IDR as an easy way to share data about drilling and production (Continued)
with their consultants, investors and internal engineering and management team. Their folders and document directory might include information like drilling reports, AFEs, well logs, historical and current production, land leases, title opinions, and contracts. Another new user of the IDR realized that he could share data with his out-of-state financial partner faster and at less cost than if he were to copy maps and mail them. The IDR provides better tools for presentation and sharing of this structured data than available through simple web publishing or other collaboration applications because they are designed to address the data-intensive needs of the E&P industry.

Virtually any type of formatted data can be uploaded, with the provision that the viewer must have the appropriate application or viewer on their computer. For data types like economic data sets, well log LAS files and raster images (including seismic raster images), Petris can provide a service for facilitating their viewing or recommend third party software that will compress large images for display on the Internet.

OTHER BENEFITS

Since the Petris IDR application is hosted by Petris, the user simply logs onto the Internet, types in a URL address, and then enters a username and password. The user does not have to buy any new hardware or any new software or engage IT support. The data resides on secure Petris servers that are co-located at a major data-hosting center in Houston. Petris provides hosting and technical support through its support desk hotline. Some initial training is also provided; however, most individuals can start working immediately once they have a site and username.

SUMMARY

An August 2004 online survey of over 1600 SPE members revealed that 81% would consider renting their next energy software application over the Internet. The Software & Information Industry Association (SIIA) just co-authored a report that cited “growing end-user adoption” of software services through the Internet. Petris is on the forefront of this paradigm shift in how business is conducted and helping to bring these tools to the energy industry. Mickey Henry, vice president of Petris Technology, Inc., can be contacted at 713-956-2165.

The SIPES Quarterly “Technology Corner” has an objective of providing SIPES members an awareness of new technology development and serves as a focal point for identifying technology resources.

If you are using or have information about new technology, successful or not, and or technology that’s not so new that has been helpful to you, and you would like to share this information with the SIPES organization through the Quarterly publication, I’d like to hear about it. You can call or e-mail me at: 972-424-3408 or w.leel@gte.net.

Woody Leel
Consulting Geologist
SIPES National Director
Chairman Technology Corner
2004-2005 SIPES CORNERSTONE GROUP

Many thanks to the members listed below for their continuing support of our society

**M Oil Finder – $1000**
- George S. Johnson – Amarillo, TX
- Jerry P. Clarke – Corpus Christi, TX
- J.D. Hughes – Austin, TX
- Leonard E. Jordan – Shreveport, LA
- William M. Kazmann – Richardson, TX
- Ralph O. Kuhle – Durango, CO
- Robert C. Leibrock – Midland, TX
- Thomas Mains – Dallas, TX
- Roger L. Martin – Wichita, KS
- Don D. Matson – Midland, TX
- Barney C. McCaskill, Jr. – Midland, TX
- Philip J. McKenna – Littleton, CO
- David M. Mitchell – Midland, TX
- Daniel S. Morris – Houston, TX
- Mark K. Moody – Austin, TX
- Marvin A. Munrochorz – Lafayette, LA
- Fred L. Oliver – Dallas, TX
- Robert B. Owen – Corpus Christi, TX
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- James M. Zottkiewicz – Metairie, LA

**M Driller – $500**
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- Earl E. Gaertner – Durango, CO
- Lucius C. Geer – Houston, TX
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- Paul M. Strunk – Corpus Christi, TX

**M Prospector – $250**
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- I. Wayne Woolsey – Wichita, KS

**M Scout – $50**
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Robert D. Cowdery, #1836, of Wichita, Kansas is serving as vice president of the Kansas Geological Foundation (See SIPES Foundation News). Wichita Chapter Secretary Orvie L. Howell, #2873, is serving as the KGF Treasurer. Charles R. Grice Scholarship Endowment Fund in memory of Hugh N. Frenzel.

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During the past year the SIPES Foundation has contributed funds to two projects that will be of interest to many SIPES members.

Over a three-year period, the SIPES Foundation has made contributions to the Kansas Geological Foundation’s Robert F. Walters Digital Geological Library. The project’s goal was to digitally preserve the eighty-year collection of the Kansas Geological Society Library. Work is still underway on this effort, but you can learn more about the data available by going online at http://kgslibrary.com/wdl. A tutorial is available at this site, along with background information on this project, and prices for subscriptions.

In October 2003, the Houston Chapter organized a continuing education seminar on seismic amplitude interpretation presented by Dr. Fred Hilterman. A video was made of this presentation, but chapter officer Wulf Massell wanted to incorporate Dr. Hilterman’s PowerPoint presentations into the video. The SIPES Foundation, SEG and several industry companies contributed funds for this project. This result is a computer-based interactive presentation on DVD; you can watch the speaker, see the slides, and also follow the written text on one screen. The new DVD can be purchased from the SEG Book Order Department (P.O. Box 702740, Tulsa, OK 74170-2740 - Telephone 918-497-5546 or email: books@seg.org). SIPES members are eligible to buy SEG publications at the member prices. The member price for this DVD is $29.00 plus tax and handling; the non-member price is $99. The original text for this course can also be purchased from SEG for $39.00 plus tax and handling. This DVD will be available for rental from the SIPES Foundation Film Library in early 2005.
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