

LOGA Ready To Meet New Challenges

By Del Torkelson

BATON ROUGE, LA.—Some, when they achieve a long-sought goal, are content to forego any further struggle. Others strive to follow-up, but fall short of the standard set by their previous accomplishment. Then there are those who keep on keeping on—and in the process—collect numerous victory laurels on which they never rest.

Thomas Edison was already world famous for inventing the phonograph when he received a patent for his incandescent light bulb, a creation which itself preceded his pioneering innovations in motion picture technology. The Beatles were atop the rock and roll world when *Sgt. Pepper's Lonely Heart's Club Band* came out, but the releases still to come included the "white album" and *Abbey Road*. John Wooden already had a pair of national titles when he began the streak of coaching seven consecutive men's college basketball championship teams.

For the Louisiana Oil & Gas Association, the drive to keep plugging away even after significant wins has been a matter of necessity. When its members gather for the group's annual convention, March 11-13 at the L'auberge du lac Casino Resort in Lake Charles, La., they will do so only months after seeing LOGA cross a long-sought priority off its to-do list.

With the passage of legislation to reform the law regarding the state's legacy lawsuits, the association hopes producers will find a way to cut through the net of questionable litigation that has ensnared a significant proportion of South Louisiana

operators. The bills that passed near the end of the 2012 Louisiana Legislature, which build on earlier LOGA-backed legacy reforms, allow parties to assume responsibility for remediation without saddling them with liability for private damages (*AOGR*, July 2012, pg. 16).

LOGA Chairman Bryan Hanks, president and chief executive officer of BETA Land Services LLC in Lafayette, La., says he hopes the new legal setting will reassure oil and gas companies that Louisiana is a good place to do business. "Louisiana's legacy lawsuits have been a known entity for operators across the country," he reflects. "Even though we passed very positive legislation last year, people still may be hesitant about coming here because they feel they will be targets."

LOGA President Don G. Briggs maintains the entire state will benefit if producers across the country decide Louisiana will treat them fairly—a conclusion they are unlikely to reach if the state's policymakers muddle the message of last year's legislation. As the association prepares for the 2013 Louisiana Legislature, he observes that Governor Bobby Jindal is on record expressing a desire to eliminate the state's corporate and personal income taxes (see accompanying story). Intriguing as that may seem, Briggs says LOGA is warning against any efforts to turn such a proposition into a convenient tax shifting mechanism.

"We are trying to help everyone understand this is not a localized market," he relates. "Companies can spend their money here or in Ohio, Pennsylvania,

Texas, Oklahoma or Colorado."

The Long View

In its first online weekly drilling report of 2013, LOGA noted the statewide count of 102 drilling rigs fell 48 short of the same figure a year ago. Briggs reasons that trend follows logically from a number of factors, including natural gas prices' extended slump. And while Louisiana contains a number of formations that could one day spur exciting resource plays, he says, the fruit is not yet ripe. The Tuscaloosa Marine Shale that runs through Central Louisiana, North Louisiana's Brown Dense, and the ultra-deep frontier along the coast may have bigger futures, he predicts, but steep capital demands help to constrain their present.

"There are only three rigs working in the Tuscaloosa Marine Shale, where the wells are deep and expensive, but I hear they have found a couple of nice sweet spots," Briggs describes. "A couple companies are plugging away and moving around in the Brown Dense."

"People have been hopeful but cautious about the Tuscaloosa Marine Shale, so I do not think that surprises anyone," Hanks ruminates. "Everybody still seems hopeful about the ultra deep, but there is a learning curve and there are equipment challenges associated with those depths and temperatures. I still think there is a long-term vision for it."

Meanwhile, Briggs acknowledges, the play that recently enjoyed Louisiana's top billing is experiencing a lull. "People are not looking for dry gas," Briggs ac-

knowledges. “Once, there were 140 rigs running in the Haynesville. Now there are 20.”

Nevertheless, Hanks insists the interval is neither unexpected nor permanent. He recounts that when his company was helping clients secure Haynesville leases in the play’s headiest days, operators recognized their long-term development plans could require some patience. “The people we were working for predicted they would drill to tie up lease positions and then proceed according to the gas pricing scenario,” he recalls. “I was prepared for it to drop simply because more product was coming on.”

While the slow period marks a first for many people who have entered the industry in the unconventional resource play era, Hanks reflects, it is familiar to anyone with a couple decades’ oil and gas experience. “The younger people are seeing it for the first time because they have been in the industry only as the shale plays have ramped up,” he comments. “They will learn our industry will live through this and ramp up down the road. The good news is that technological developments may make those cycles quicker than they used to be.”

Nevertheless, Briggs notes, some places beyond Louisiana’s borders continue to attract major investment. The Eagle Ford Shale in neighboring Texas, he says, helps illustrate that policymakers are wise to consider the broader context of oil and gas policy. Many companies with properties in Louisiana have operating horizons that extend well beyond the state’s borders, he points out. Naturally, they will invest their capital in projects they expect will provide the best returns. “We are competing with the rest of the country,” Briggs emphasizes. “That is why our playground needs to be better.”

A better environment for the industry means a stronger state, he affirms. Since 2008, Louisiana’s natural gas industry has provided more than \$14 billion in economic impact and created more than 60,000 jobs in the Haynesville Shale play alone. Significant as they are, such employment figures are only the start, Briggs indicates, pointing to projects under construction because of the state’s abundant gas supply. Such examples include the \$11 billion liquefied natural gas export facility Cheniere Energy is building in Cameron Parish and the \$21 billion energy and chemical plant investment Sasol Ltd. is making in Calcasieu Parish.

Furthermore, Briggs notes, an analysis by Louisiana State University Professor David Dismukes calculates that new projects drawn by the magnet of affordable and reliable gas supplies could bring 214,000 jobs and \$9 billion in new wages in less than a decade. Briggs quotes Dismukes as saying that being flush with natural gas “has led to a virtual manufacturing renaissance in Louisiana where, to date, some \$62.3 billion in new capital investments have been announced.”

Fact And Fiction

When it comes to competing with other states for companies’ drilling dollars, Louisiana’s longtime familiarity with the oil and gas industry may offer one factor in its favor. While numerous other states host ongoing or prospective resource plays, few of their populations have as much history with oil and gas as the Pelican State. As localities in places from New York to Colorado ban hydraulic fracturing and craft regulations that render many projects not worth the trouble, Briggs says Louisiana parishes have proven less susceptible—though not immune—to anti-fracturing alarmism.

Media misrepresentations about fracturing’s risks, including the Hollywood film *Promised Land*, which was released to theaters nationwide in January, have not helped, he acknowledges. Briggs saw the film shortly after its release, he says, indicating the production mixes the genuine with the fallacious. Scenes in which a landman participates in community meetings were sufficiently true-to-life, Briggs says.

In fact, he continues, such depictions made him feel as if he was back in Northwest Louisiana when the Haynesville Shale play was taking shape. “I had one town meeting after another in basketball gymnasiums filled with 5,000 people and heard a lot of things from local residents,” he affirms. “It really brought back a lot of memories that I appreciated.”

Unfortunately, notwithstanding its producers’ claims that the film is not an anti-development screed, Briggs notes that *Promised Land*’s distortion of facts about fracturing and a plot twist that casts the oil and gas company as scheming and dishonest make its anti-industry bias obvious.

That bias was one reason Hanks expressed doubt that he could attend *Promised Land* and maintain proper movie theater decorum. “I take particular offense

to it because I have been the guy with the lease in my hand,” he relates. “I intend to see it at a time when the theater is not very full, because I am sure I will have a running, open commentary that I cannot guarantee will remain under my breath.”

Hanks says he would like to see the industry hit back by promoting and distributing films such as *FrackNation*, a new documentary with a more evenhanded take on fracturing by independent filmmakers Ann and Phelim Media LLC. LOGA has responded to *Promised Land* by offering a video response on the association’s website that refutes *Promised Land*’s inaccuracies. Other than that, he says, instead of dropping mass media bombs, the industry will continue to fight untruths with the equivalent of hand-to-hand combat.

“Thanks to the Internet, in the last five years, landowners across the country have become 100 times more sophisticated,” Hanks describes. “I find myself trying to explain scenarios that may have happened in Ohio, Colorado or Pennsylvania, where the regulations and landowner rights may be far different. Because of that, the people I send into the field to meet and negotiate with landowners require far more training than in the past.”

Consequently, he says, in only three years, BETA Land Services’ training manual has grown from three quarters of an inch to a pair of three-inch binders. Only when a landman has been apprised of the facts can he hope to help laypeople recognize the fiction. “I tell our guys 50 percent of the job is educating landowners,” Hanks relates.

One approach that Hanks says his team prefers in shale areas foregoes traditional individual meetings in favor of group gatherings. “If there is a natural alliance of friends and neighbors, we want to get them together and lay out our client’s plans for the area and what we hope to do,” he describes. “We use that time to educate them and answer questions. That goes a long way toward building credibility. It also gives everybody a sense they are going to receive the same deal. It seems to provide people with a sense of relief when we put everybody in the room and let them know we will pay them the same.”

A Legal Perspective

While no Louisiana localities have banned fracturing, Briggs reports, a few failed attempts to do so have surfaced in

scattered parishes. More frequently, he says, local governments craft rules that usurp the state's regulatory authority over oil and gas operations. Other local regulatory incursions, he says, include efforts to charge fees that only would apply to oil field trucks.

"They all try to make money off us," Briggs sighs. "We meet with every parish every time, explain the law and the issue goes away, but it always takes a lot of work to make that happen."

Lauren Estopinal, LOGA's newest government relations staffer, concurs that the state's exclusive regulatory oversight is a recurring theme in those meetings. While local officials' manner toward the industry and impetus for regulating it vary widely, she says, almost none of them realize the extent to which the state already keeps tabs on oil and gas activities. Nor do they know about many ready state and industry resources to which they can turn.

"Often, they do not know about One Call or FracFocus.org," she details. "The people in one parish were dead set on frac fluid disclosure until we told them about FracFocus and one of them opened the site on her tablet."

Local regulatory initiatives jumped alongside the prospect of a Tuscaloosa Marine Shale play, Estopinal says. As leasing got under way in the area in and around East and West Baton Rouge parishes, she notes, some local officials traveled to Northwest Louisiana to hear from their counterparts. "I was told that on their way there, everyone was optimistic and could not wait to see what was coming," he recounts. "On the way back, it was a question of how many ordinances could be passed and how quickly they could do it."

Estopinal says her legal background

has proven useful in dealing with local governments. That same attribute has been very helpful to LOGA since she officially joined the association's staff in August 2012, Briggs indicates. "She helps me look at the law a little differently," Briggs remarks. "She is good at making this old guy understand the new stuff that comes up."

LOGA Vice President Gifford Briggs agrees. "Having an attorney on staff is a huge benefit," he affirms. "It is important for us to have that legal perspective. She also does a great job communicating with legislators and handling lobbyist functions."

Estopinal interned with LOGA for two years while finishing law school, she notes, and has come to an even greater appreciation of the group since being hired. "I have the best job," she declares. "Working with Gifford and Don has taught me so much."

Their largely divergent but complementary approaches to lobbying are one lesson she cites, although she says their ability to build consensus among diverse members while also following their collective lead is a skill that she says particularly impresses her. "Pulling a general consensus from all the different voices is amazing," she marvels. "So is the ability to honestly listen to the membership and learn to change your opinions according to its needs."

Meanwhile, D. Briggs assesses, Estopinal brings far more than her legal training to LOGA's team. He cites her thoroughness and resolve as two attributes that are serving the association well. "I really like her tenacity," he states.

Convention

Despite LOGA's ongoing challenges, Hanks reflects that the association's annual

meeting, March 11-13, provides members an opportunity to enjoy the passage of legacy lawsuit reform. "We should celebrate what was accomplished in last year's legislative session," he suggests.

Of course, he continues, the conference also will keep members informed of the latest developments relevant to Louisiana producers. Among the presentations LOGA plans are a state regulators forum, a water issues panel, and remarks by Americans for Tax Reform founder and President Grover Norquist.

The schedule largely will follow the format the association has used in past conventions, with many of the business sessions falling on the event's middle day, Tuesday, March 10. According to LOGA, that day's presentations also include a legislative session panel featuring Senator Page Cortez, R-Lafayette, Senator Jean-Paul J. Morrell, D-New Orleans, House Speaker Pro Tempore Walt Leger, D-New Orleans, Representative Stuart Bishop, R-Lafayette, and Representative Joel Robideaux, R-Lafayette.

And of course, Hanks notes, the convention also provides networking opportunities. He reflects that 2013 might be a particularly good year to mingle with other people active in Louisiana's oil and gas industry. "The Haynesville is probably moving into the next phase, where people start to monetize their assets," he surmises. "There will probably be people there looking to buy into and sell out of positions." □

