

**CENTER FOR ENERGY STUDIES
LOUISIANA STATE UNIVERSITY**

NEWSLETTER

February 1995

**MARINE BOARD LAUNCHES STUDY
COMPARING EXPLOSIVE AND
NONEXPLOSIVE METHODS FOR REMOVING
OFFSHORE PLATFORMS--WITH LSU'S HELP**

Concern about the environmental effects of the explosives used in the removal of offshore platforms has resulted in a new study intended to help the Minerals Management Service (MMS) decide if it should change existing practices and regulations. The study was organized by the Marine Board, a unit of the National Research Council, the operating arm of the National Academies of Sciences and of Engineering. A committee drawn from industry and academia will conduct the study.

Two members of the 12- person committee are from LSU--Allan Pulsipher, Director of Policy Analysis at the Center for Energy Studies and James Coleman, the University's Executive Vice Chancellor. Coleman also is a member of both the Marine Board and the National Academy of Engineering.

The proximate cause for the effort was a report by the General Accounting Office (GAO)¹ critical of MMS' policies intended to protect the environment, and the taxpayer, during the lease abandonment process. The GAO report urged MMS to "encourage the use of nonexplosive technologies for removing offshore structures, whenever possible, that will eliminate or minimize

the risk of harm to the environment and marine life.

...[and]...study the feasibility, benefits, and costs of mandating the use of nonexplosive methods of removing offshore platforms."

The project plan for the study calls for the committee to "assess the state of practice of platform removal technology and associated scientific and engineering research, determine the occupational hazards and environmental effects of each removal process and how they can be mitigated, and appraise the adequacy and appropriateness of current regulations governing offshore structure removal." The committee also will consider the need for provisions in existing regulations such as those requiring that all offshore structures be removed to 15 feet below the mudline.

The first meeting of the committee was held in January in Houston, and a second is scheduled for March 8-10 in New Orleans. A final report probably will be released by the Marine Board before the end of the year.

Pat Dunn, retired from Shell Offshore, chairs the committee. In addition to Pulsipher and Coleman, the members are: Karen Bjorndal, University of Florida; William Evans, Texas A&M at Galveston; Richard Kasprzak, Louisiana Wildlife and Fisheries; James Kiesler, Global Movable Offshore; Patrick O'Connor, AMOCO Production; Alan Powell, University of Houston; Daniel Sullivan, McDermott; Pace VanDevender, Sandia National Laboratories; and Peter Veléz,

¹ U.S. General Accounting Office, *Offshore Oil and Gas Resources: Interior Can Improve Its Management of Lease Abandonment*, GAO/RECD-94-82, May 1994.

Shell Offshore.

LOUISIANA HOME ENERGY BILL TOTALS NEARLY \$2 BILLION

Using data that companies and their energy suppliers submit to the Energy Information Administration, the Center recently estimated that Louisianians spent 1.943 billion dollars for electricity and heat for their homes in 1992--the most recent year for which all necessary data are available. With 1,532,000 occupied residential units in Louisiana during 1992, the average residential bill was \$1,268 for the year or \$105 per month. As a percentage of mean family income, Louisiana energy costs in 1992 continued their long-term decline.

Sales tax on Louisiana residential energy consumption totaled some 74.7 million dollars or \$48.76 per residential unit in 1992.

Total Louisiana residential energy consumption for 1992 was 288.1 trillion BTUs -- the lowest level since 1983, owing largely to mild climate conditions. Some 79 percent of the energy consumed directly in Louisiana homes was electricity, whereas the remaining 21 percent was for natural gas, propane and other petroleum liquids. Total Louisiana residential energy consumption by fuel type, including the breakdown of electricity by fuel source, was dominated by natural gas (55.2%), followed by coal (28.1%), nuclear (14.6%) and petroleum liquids (2.1%)

LIFTING COSTS SURVEY TO BE CONDUCTED

CES will be conducting a survey of electricity costs for marginal wells. The survey will be conducted in North Louisiana. A recent industry survey of fifteen operators in Texas and covering 3495 marginal wells found that electricity costs were the largest component of total operating costs. Using the Texas results, the potential to save on operating costs and, therefore maintain marginal well production, associated jobs and the tax base in specific areas of Louisiana, is high. The potential savings from reduced electricity costs far exceeds all taxes paid on marginal wells. The Center needs operators to participate in the

study. Interested operators are requested to contact Keith Long at 504-388-4400. The information required for the survey is not intrusive and all individual operator data will be kept confidential.

BAUMANN TELLS MINERAL BOARD TEXACO SETTLEMENT ON TRACK

The settlement between Louisiana and Texaco resolving claims that the royalties from oil and gas produced on state-owned lands had been underpaid, calls for a \$250 million payment to the State and a pledge by Texaco to invest \$152 million over-and-above what it would otherwise spend on exploration and development in the State. The Louisiana Department of Natural Resources (DNR) asked the Center for Energy Studies to help monitor Texaco's compliance with the agreement.

Bob Baumann made a report on Texaco's performance under the settlement to the Mineral Board at their February meeting. Thus far, he said, it looks like a win-win situation all around. For the first time since the 1985 oil price dive, E&P employment increased, modestly, last year. The Texaco settlement, OCS activity and the incentives the Louisiana Legislature passed last year to encourage production, appear to be the major contributors to the gains, Baumann told the Board.

In the settlement, Texaco said it would use advanced E&P techniques such as 3D seismic and horizontal drilling and they appear to be paying off. Texaco's success rate has been high and this is good news for the State's economy as well as its finances--particularly because the State gets the royalties as well as the severance and business taxes. Texaco's success also may encourage other operators to use advanced E&P technologies more intensively. The Center has retained Attorney Mike Swanwick of Lafayette to help monitor the settlement and advise DNR.

A more complete report will be prepared in the Fall after financial audit reports are completed.

WILLIAM B. DANIEL IV JOINS CES STAFF

William Daniel, who holds a BS and MS in Petroleum Engineering from LSU and an MBA from the University of Tulsa, joins CES as a part-time Research Associate. He will be assisting Allan Pulsipher with offshore environmental and safety risk assessment studies sponsored by the MMS

PTTC UPDATE

In our November 1994 Newsletter we reported on the results of two Petroleum Technology Transfer Council (PTTC) Central Gulf Region problem identification workshops that were held in Shreveport and Lafayette, Louisiana. The results formed the basis of our proposal which was submitted to the national PTTC organization in Washington in January. Copies were also provided to all Producer Advisory Group (PAG) members. The proposal is expected to be formally approved on February 23, 1995, at the PTTC Board of Directors meeting in Norman, OK with aspects of the contract retroactive to November 1, 1994.

The Center for Energy Studies has also enlisted the assistance of LSU's Basin Research Institute to help develop an electronic environmental data handbook for Louisiana operators. This product is designed to be a basic road map for obtaining necessary oil and gas activity permits and should be available for release this summer.

LSU's Petroleum Engineering Department has been selected to be the lead organization for several components of the Central Gulf Region's Resource Center. A computerized Louisiana Oil Atlas is currently under development. The Atlas is a compilation of several databases including production history, well completion, well mechanical status information, reservoir structure maps, unitization agreements and the unitization plats from various databases housed within the Louisiana Department of Natural Resources. A demonstration of the "Louisiana Oil Atlas" will be presented at LIOGA's annual convention March 24-26, 1995, in New Orleans at the PTTC booth.

The Petroleum Engineering Department has also substantially upgraded its computer teaching laboratory which will also serve as a workshop for oil and gas software training and demonstration. Up to 22 operators can be accommodated for a training class. For further information please feel free to call Keith Long or Barbara Kavanaugh at (504)388-4400.

and the Louisiana Sea Grant Program. William has had considerable industry experience with Amoco and Samson Resources Co. (Tulsa) before operating his own companies.

NEW AND RENEWED INDUSTRY ASSOCIATES

The Coastal Corporation has joined CES' Industry Associates and Tenneco has renewed its membership after a brief hiatus. Coastal will be represented by Vice President Ann Bahme of the Houston, TX office and Tenneco will be represented by Malcolm Hood, State Relations Representative, located in Baton Rouge, LA.

Coastal Corporation's unrestricted donation will be used to help support CES' OCS studies which are primarily funded by federal grants, but which require matching funds.

Funds donated by Tenneco will be used to help maintain CES' Louisiana natural gas database.

RECENT CES PUBLICATIONS

Baumann, R. H., and Pulsipher, Allan G. States pass measures to help producers during tough times. *Oil & Gas Journal*, November 14, 1994, 56-58.

Article describes legislative measures in Texas, Louisiana, Mississippi, and Oklahoma to encourage production through specific incentives for enhanced oil recovery, inactive wells, new field discoveries, and for other measures.

Iledare, O. O.; Pulsipher, Allan G.; and Baumann, R. H. The changing structure of the U. S. petroleum industry: implications for offshore oil and gas development and policy. Presentation before the American Economic Association Annual Meeting, January 6, 1995. Washington, D.C..

Contrary to conventional thinking, descriptive analysis of data on drilling effort and outcomes on the Gulf of Mexico indicates independents have been both more aggressive and successful than the majors in exploration while the majors have been only moderately more successful than independents in development of drilling. A hydrocarbon model was developed that confirms the inferences drawn from descriptive analysis.

Long, Keith. Petroleum technology transfer needs and requirements for Louisiana oil and gas producers. Center for Energy Studies, Louisiana State University, December 1994.

Report provides the results of two problem identification workshops held as a required activity for all of the nation's ten regions of the Petroleum Technology Transfer Council. The workshops were held in Lafayette and Shreveport in November for Louisiana oil and gas operators.

Pulsipher, Allan G.; Iledare, O. O.; Baumann, R. H.; and Mesyanzhinov, D. Operating performance and environmental and safety risks: a preliminary comparison of majors and independents. Proceedings of the Offshore and Arctic Operations Symposium, Energy and Environment Expo 95, Houston, TX, January 29-February 1, 1995, American Society of Mechanical Engineers, Petroleum Division, New York, 1995, 219-228.

The preliminary conclusion is that although independents have had a modestly higher incidence of fires and explosions than the majors, the difference is not significant statistically and is largely attributable to a few "bad actors" rather than demonstrably poorer practice by the group as a whole.

To obtain a copy of any of these publications, call Barbara Kavanaugh at CES, (504)-388-4542.

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