



CES Newsletter

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Center for Energy Studies

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Baumann Honored with LIOGA Lifetime Achievement Award



Baumann with LIOGA chairwoman Diana L. Chance at the March 6 event.

Robert H. Baumann, CES director of research and development, was honored for lifetime achievement by the Louisiana Independent Oil & Gas Association (LIOGA) at its annual meeting March 6 in Lake Charles. LIOGA president Don G. Briggs presented the award to Baumann for having "unselfishly given of his time and energy to bettering the working environment of Louisiana's oil and gas industry." Baumann is one of only three individuals to have received the award since LIOGA was organized in 1992. Oilmen Henry Goodrich of Shreveport and Paul Hilliard of Lafayette previously received the award.

Baumann began his career working on environmental issues at LSU's Center for Wetland Resources and has been with the Center for Energy Studies since its formation in 1982. He serves as director of the Central Gulf Region of the Petroleum Technology Transfer Council and as Louisiana's university representative to the Center for Legislative Energy and Environmental Research (CLEER), which assists member states in developing sound legislative energy and environmental policies. He has authored more than 50 articles on energy and environmental topics and has served as technical advisor to the Governor's Energy Commission under Governors Foster, Edwards, and Roemer.

Second Alternative Energy Conference Set for April 26-27

CES will host "Alternative Energy 2006: Diversifying Risk in a Challenging Environment" in the Energy, Coast & Environment Building rotunda beginning midday Wednesday, April 26 and running through midday Thursday, April 27, 2006. The conference will address a number of domestic alternative energy issues, including federal policies and their implications for alternative energy, renewable energy portfolio standards and state initiatives, solar energy, onshore and offshore wind, state land use policies, ethanol and biofuels, demand response mechanisms, and energy efficient building standards. For more information and registration, visit www.enrg.lsu.edu/conferences/altenergy2006

Statewide Motor Fuel Sales Growth Anemic

Northshore Parishes an Exception

Since the passage of the Transportation Trust Fund and the Transportation Infrastructure Model for Economic Development (TIMED) program in 1989, taxable motor fuel sales have increased very modestly. From 1989 through mid 2005, motor fuel tax revenue has increased 1.8 percent per annum, which is less than the inflation rate. Moreover, the revenue increase has only been 0.7 percent per annum since 1999. This raises doubts as to whether all the projects included in the TIMED program can be completed under the existing revenue structure. The passage of HB 599 (Act 252) in the 2005 Regular Session, which changes the point of taxation from the wholesale level to the refinery "rack," is expected to increase tax compliance and generate an additional 10-15 million dollars per annum, about one-fourth of which will go for TIMED projects. This will increase revenue by an estimated 2-3 percent next year. While statewide motor fuel sales growth is nominal, there have been significant shifts in market share within the state. During the twenty-year period of 1982-2002, the market share of Northshore parishes increased by 51 percent from a 7.4 percent share to 11.2 percent (see table). The increase is greater than the population growth of the area. Conversely, the New Orleans area market share declined by 45 percent over the same time period. Overall, the larger urbanized areas of the state lost market share from 80.8 percent in 1982 to 75.8 percent in 2002.

Excerpted from "Estimates of Louisiana Motor Fuel Sales by Parish and Historical Trends" located at www.enrg.lsu.edu.

Historical Changes in Motor Fuel Sales Market Share for Louisiana Metropolitan Areas 1982-2002			
Area	% State Market 1982	% State Market 2002	% change
New Orleans Orleans, Jefferson, St. Bernard	29.1	15.9	-45.5
Baton Rouge East Baton Rouge, West Baton Rouge, Ascension	11.8	12.3	3.6
Shreveport Bossier, Caddo, Webster	11.4	11.8	3.4
Northshore Livingston, St. Tammany, Tangipahoa	7.4	11.2	51.1
Lafayette Acadia, Lafayette, St. Martin	8.1	8.1	0
Lake Charles Calcasieu, Jeff Davis	5.4	6.7	23.1
Alexandria Avoyelles, Natchitoches, Rapides	3.9	5.1	31.4
Monroe Lincoln, Ouachita, Richland	3.7	4.7	24.4
TOTALS	80.8	75.8	-6.4

Budget Cuts Finalized

The University recently finalized its cuts for the current budget year, and CES received a 3.6-percent cut. Among LSU college-level units, the cut to CES and its departmental-level units was the second highest, with the School of Veterinary Medicine receiving the highest cut. The cuts for CES units totaled some \$80,000, which was distributed to the PTTC (\$38,000), the Louisiana Geological Survey (\$35,000), and the Radiation Safety Office (\$7,000). "Increases in donations and grant and contract activity will compensate for the cuts over the short term," said Bob Baumann, CES director of research and development.

CES Hosts Post-Hurricane Utility Conference

As part of its ongoing effort to understand and communicate the importance of hurricane impacts on energy infrastructure and markets, CES sponsored "Rebuilding Utility Infrastructure: Opportunities and Challenges" on February 21 and 22 in the Dalton J. Woods Auditorium in the Energy, Coast & Environment Building. The event brought together a wide range of stakeholders to discuss a number of important hurricane-related utility issues.

Among the controversial topics addressed at the conference was the issue of "who should pay" for the restoration costs facing some of the state's electric power utilities. The first day explored the policy and equity issues associated with damage cost recovery, while the second day's topics were more forward-looking and addressed topics such as how the power grid, and electric delivery, could be improved in the future.

Presentations began with a detailed overview by Entergy of electric and gas distribution damages, challenges, and restoration activities by the responsible managers, Danny Taylor and Perry Dufrene. Taylor discussed the significant challenges associated with electric service restoration during the storm and identified close to \$1.4 billion in restoration costs that would have to be recovered, in some form or another, in the near future. Taylor noted that a variety of mechanisms were being explored for this cost recovery that included federal support funding, insurance payments, and surcharges from ratepayers. Dufrene focused on the considerable destruction that occurred to Entergy New Orleans' gas distribution system given the levee breach, and subsequent flooding in large parts of the City of New Orleans.

Louisiana Public Service Commission (LPSC) Chairman Jimmy Field commented upon the challenges the LPSC would face over the next several months. Field was critical of the interim cost recovery proposal submitted by Entergy and thought that any cost recovery mechanisms at this point were pre-mature. Field reiterated on several occasions, however, that Wall Street should not be concerned about the LPSC's commitment to ensure that Entergy, and any of the states' other regulated utilities, would have the opportunity to recover their prudently-incurred hurricane damage costs.

Well-recognized regulatory expert and Cato Institute scholar Professor Bob Michaels discussed disaster cost recovery issues and challenged the notion that hurricane cost recovery was guaranteed under the traditional regulatory compact cited by many utilities. Other presentations that were critical of complete utility cost recovery included those by consumer advocates from New York and Florida. Both noted, however, that storm reserves and new approaches at utility self-insurance had to be addressed in future regulatory proceedings.

The first day concluded with a presentation on disaster recovery methods in Alberta, Canada, by Dave Redman, former director of Emergency Management Alberta; and an industrial and commercial customer roundtable that included representatives from Occidental Chemical, Dow Chemical, Walmart, and Weyerhaeuser. Many industrial customers were critical of existing service standards and rates and hoped that a number of new changes in service offerings, utility planning practices, including the retirement of older generation units, would occur in the post-hurricane environment.



Eric Smith, Mike Sherman, Loren Scott, and Dane Revette listen to Phillip May (left to right) during the conference roundtable panel discussion.



Conference speaker Mike Sherman talks with Kimlin Lee of the New Orleans City Attorney's Office.



Speaker Dave Redman (left), seen here with David Dismukes and Energy Council Executive Director Lori Cameron, discussed emergency management in the energy sector.

The second day started with an engaging presentation by Federal Energy Regulatory Commissioner Nora Brownell. Brownell urged the state to think “outside the box” of future infrastructure development options that could include encouraging third-party ownership and development of transmission assets as well as the use of advance technologies and demand response mechanisms.

Day two also included a discussion of municipalization options and challenges from Lafayette Utility Services Director Terry Huval, a presentation from Jim McGlone of the U.S. Department of Energy, and an insightful presentation by Bill Snyder of KEMA Inc. on infrastructure hardening, the securing and strengthening of underground and overhead electrical grid components

One of the highlights of the conference was the last session, which included an “all-star” roundtable panel who brainstormed about potential scenarios in future utility infrastructure development. Panel members included Phillip May, vice president, Entergy Services; Loren Scott, president, Loren C. Scott & Associates; Michael Sherman, energy advisor to the New Orleans City Council; Eric Smith, associate director, Tulane-Entergy Energy Institute; and Dane Revette, energy cluster head, Louisiana Department of Economic Development. The roundtable was moderated by Professor Craig Freeman, faculty member at theanship School of Mass Communications and host of the Louisiana Public Broadcasting program “Louisiana Public Square.”

The conference was free and open to the public and would not have been possible without the generous support of a number of corporate sponsors. We thank **Kean Miller Hawthorne D’Armond McCowan & Jarman, LLP, ConocoPhillips, Suez Energy, American Electric Power, Dow, and Southern Strategy Group.**



Honoring Dalton J. Woods at the auditorium dedication were his widow, Sugar Woods (center), and (l-r) LSU Chancellor Sean O'Keefe, LSU Board of Supervisors member C. Stewart Slack, LSU System President William L. Jenkins, LSU Chancellor Emeritus James Wharton, Dalton's son Mike Woods, Bob Baumann, Dalton's grandson Michael Woods, and School of the Coast & Environment Dean Ed Laws.

Information about the conference, as well as the presentations provided during the event, can be found at www.enrg.lsu.edu/conferences/utility2006.

Dalton J. Woods Auditorium Dedicated

The auditorium in the Energy, Coast & Environment Building rotunda was named for LSU alumnus Dalton J. Woods, Friday, February 3. The Woods family has provided a generous endowment to support energy conferences held in the auditorium.

Bob Baumann, CES director of research and development, emceed the event and described the funding and planning history of the Energy, Coast & Environment Building and its conference facilities, pointing out that the Woods family's gift will help fulfill the original mission of the facility to provide a forum for energy research and education. Reminding the audience of the long building process, Baumann dubbed the facility a “five-chancellor building.”

LSU chancellor emeritus James Wharton, who was a friend of Dalton J. Woods, spoke of Woods' character as a young officer in World War II and later as a dedicated member of the LSU Board of Supervisors. LSU

chancellor Sean O'Keefe thanked the Woods family in closing remarks, and LSU System president William Jenkins offered a toast and presented a gift of thanks to Mrs. Woods.

Mike Bourgeois Remembered

The Center for Energy Studies lost a dear friend and supporter when Michael Bourgeois passed away February 1. An Advisory Council member for almost two decades, he represented the Louisiana Landowners Association. Earlier, Mike was involved with the formation of the Center from its earliest days, when he was with the Department of Natural Resources.

Since his death, the Center has received donations in his name. We plan to honor Mike by applying the gifts toward energy programs that he valued and supported throughout his career. We extend our deepest sympathies to Mike's widow, Becky, and to his sons, Andy and Corey.

DOE Taps CES for Liquefied Natural Gas Forums

The CES is assisting the U.S. Department of Energy in a series of regional forums on liquefied natural gas (LNG). The forums, which are required under Section 317 of the recently passed Energy Policy Act of 2005, are being held in regions in which LNG import facilities are under consideration. The purpose of the forums is to enhance public education and knowledge on the subject of LNG and to provide the public with factual information that will form the basis for informed decision-making.

At the first forum, held March 10 in Boston at the John B. Hynes Veterans Memorial Convention Center, Kristi Darby, CES research associate, gave an overview and introduction to LNG. David Dismukes, CES professor and associate director, will speak at a number of West coast events this spring.

More information about DOE's Regional LNG Forums can be found at:
<http://www.fe.doe.gov/programs/oilgas/storage/lng/lngforums.html>



Hydrocarbon Potential Estimates Completed

In a recently published paper, Don Goddard, CES associate professor, and consultants Ronald K. Zimmerman and Charles M. Meeks, estimate that the remaining hydrocarbon potential in mature fields in West Baton Rouge Parish is approximately 4.0 billion cubic feet of gas and 3.0 million barrels of oil. The paper, "Remaining Hydrocarbon Potential in Oligocene Reservoirs of Mature Fields, West Baton Rouge Parish, Louisiana," published in the *Transactions of the Gulf Coast Association of Geological Societies (GCAGS)*, Volume 55, 2005, examines several mature fields that produced from Oligocene reservoirs from the 1940s to the 1980s. Hydrocarbon potential estimates were based on the size of the fields (640 to 2,000 acres), the well spacing, thickness of reservoirs (10-20 feet) and the reported cumulative production. Most of the reserves are located in Port Allen Field. Based on these observations and because of today's relatively high oil and gas prices, reservoirs of such mature fields have become attractive economic targets when state-of-the-art drilling and production technologies are applied.

New Products

Report on Wellbore Completion Schematics, Formation Tops Available

Donald A. Goddard, PTTC coordinator and CES associate professor, recently completed a report titled "Louisiana Wellbore Completion Schematics and Formation Tops," which provides typical wellbore completion designs used in drilling and completing wells in onshore oil and gas producing parishes of North and South Louisiana. The report features examples of typical AFE drilling costs for several drilling depths, as well as selected wellbore schematics for most of the producing intervals, including lithologies and formation tops that are penetrated.

Visit www.cgrpttc.lsu.edu to order a copy of the report. The cost is \$35 for a black and white hard copy or the color CD version.

Rapides, Vernon Desktop Reference Now Available

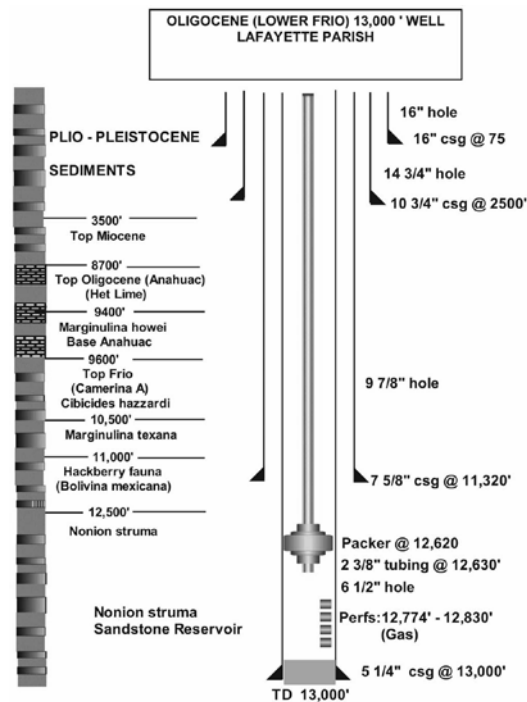
The new Rapides and Vernon Parish Desktop Well Reference CD is available. Part of the Louisiana Parish Well Reference (LPWR) series, the reference is modeled after the Louisiana Desktop Well Reference, which is a Geographic Information System (GIS) for the Louisiana oil and gas industry emphasizing the historical field and lease unit well (LUW) production at the parish level. The CD was developed by Brian Harder, Louisiana Geological Survey research associate, and Mike Surman, CES computer manager.

The historical production data in the parish CDs, including that prior to 1977, was compiled from two sources from the Louisiana Department of Natural Resources Office of Conservation. Monthly LUW production was taken from the Production Audit Cards, and annual field production was taken from the Annual Oil and Gas Reports.

Contact Mike Surman at msurman@lsu.edu or 225-578-4553, or visit www.cgrttc.lsu.edu/lpwr to order a copy.



The goal of the Petroleum Technology Transfer Council (PTTC) is to connect independent oil and natural gas producers with technological solutions in exploration, drilling and completion, operations and production, reservoir and development, and environmental issues—when they need it.



An example of one of the 50 schematics included in "Louisiana Wellbore Completion Schematics and Formation Tops."

Thanks to our supporters

In addition to a generous endowment provided by the **Dalton J. Woods** family (see Dalton J. Woods Auditorium article), the Center has received contributions in support of our programs. **Robert W. Christopher**, a member of the Advisory Council, has endowed a director's office. **ConocoPhillips** has made two contributions. The first was for matching funds for graduate students, and the second was for matching funds for equipment for our PTTC program. **Chevron** has provided financial support that will be used as matching funds for federal grants, and **F.M. Hood and Associates** has provided support for our book scholarship. The Center is grateful for the continued support of our industry associates.

PTTC CGR Spring 2006 Workshop Schedule

March 23, Shreveport: "*Well Production Performance Toolbox for Independents*," presented by Julius Langlinais.

May 16, Lafayette: "*Mature Well Performance Prediction for Independents*," presented by Julius Langlinais.

May 23, Shreveport: "*Stimulation of Watered-out Inactive/marginal Wells with Dual Completion*," presented by Andrew Wojtanowicz.

Staff Notes

African Energy

Bob Baumann has agreed to be part of a 21-member review team to select energy projects in African countries for financial support from a consortium of European nations. Some 150 proposals are expected. Bob previously did site reviews of completed projects in the 1980s.

Dismukes Interviewed on Governor's Lease Sale Ultimatum

Governor Kathleen Blanco's strategy to "play hardball" with the federal government on offshore oil and gas royalties garnered considerable attention in regional and national media. CES's David Dismukes was interviewed on the topic by *The New York Times*, as well as on CNBC's *Closing Bell* program hosted by Maria Bartiromo and *The Diane Rehm Show*, one of public broadcasting's most-listened-to-programs.

Iledare to Head USAEE/IAEE Conference Committee

Wumi Iledare, CES professor, has been appointed to chair the Concurrent Session Committee for the upcoming 26th Annual North American Conference of the United States Association for Energy Economics/International Association for Energy Economics (USAEE/IAEE) scheduled for September 24-27 near Ann Arbor, Michigan. The conference theme is "Energy in a Changing World of Costs and Technologies." Iledare's committee will organize accepted technical papers into concurrent sessions covering several aspects of the conference theme. For more information about the conference and sessions, visit www.usaee.org.

Hurricane Impact Requests Continue


David Dismukes continues to present updated analyses of the hurricane impacts on oil and gas production and other energy infrastructure in the Gulf. In early March, he gave an overview of the potential future impacts on Louisiana oil and gas activities at the LIOGA annual meeting in Lake Charles and at a meeting of the Louisiana Economic Development Council. In April, he will give a similar presentation at the Mineral Law Institute and at the Interstate Natural Gas Association of America Foundation (INGAA Foundation) regional meeting in San Antonio.



The Center for Energy Studies conducts, encourages, and facilitates research and analysis to address energy-related problems or issues affecting Louisiana's economy, environment, and citizenry. Whether conducted by its staff or by others it supports, the Center's goal is to provide a balanced, objective, and timely treatment of issues with potentially important consequences for Louisiana.

Visit www.enrg.lsu.edu to read about the latest news and events at the CES.

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