

REPORT SUMMARY
STATE MINERAL BOARD
FORUM ON THE OIL CRISIS
February 10, 1999

A State Mineral Board special committee met in January, 1999 to organize and announce a public forum to be held in Baton Rouge on February 10, 1999 at 1:30 p.m. in the Mineral Board Hearing Room. The purpose of the forum was to gain insight and obtain comments from state and industry representatives regarding the oil industry's downturn. It was the intent of the committee and the Board to provide background information, testimony, statistical and economic data, and recommendations resulting from this public hearing to Governor Foster and the state Legislature before the start of the 1999 Regular Session. The Board sought information and recommendations regarding its authority and power to act within the framework of state laws.

This report contains a list of speakers, recommendations, Mineral Board members, chronology of events, records from the meeting and all documents provided to the Board.

SPEAKERS

Jack Caldwell	Secretary, Department of Natural Resources
Kevin Reilly	Secretary, Department of Economic Development
Linda Prudhomme	Metrovision, Regional Chamber New Orleans
Leon Kahn	Leon Kahn, Morgan City, Louisiana
Don J. Hutchinson	U.S. Senate, Senator Landrieu's Office
Bob Baumann	LSU Center for Energy Studies
Jim Porter	President, Mid-Continent Oil & Gas Association
Fred Palmer	Government Affairs, Texaco
Tom Blank	Vice President, Union Pacific Resources
Art Price	CFO, Badger Oil Corporation
Robert Meredith	CEO, Hogan Exploration
Don Briggs	President, Louisiana Independent Oil & Gas Association
William Daniel	Independent Producer/Petroleum Engineer
George Gibson	Attorney, Bois d'Arc Operating Corporation
Robert Gravolet	Louisiana Assessors Association
Jack Walker	World Trade Center of New Orleans
Jesse Coates	Breton Sound Resources, L.L.C.
Cop Perez	Belle Chasse Properties
Joseph R. Hunter, Sr.	Joe Hunter Real Estate

WRITTEN COMMENTS

L. W. Paxton	Paxton Oil Company
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RECOMMENDATIONS

1. Proposal to request support of Senate Bill 325, The U.S. Energy Economic Growth Act, which provides for a phased-in marginal well production tax credit of \$3.00 per barrel for the first three barrels of daily production from marginal and stripper wells, defined as fifteen barrels or less and a \$.50 tax credit for the first 18 million cubic feet of daily natural gas production. Also provides for tax relief on inactive wells and the expensing of certain capital expenditures.
2. Proposal requesting that Governor Foster meet with oil executives in Houston to discuss ways of keeping the oil and gas industry in the area.
3. Proposal to convert coal-fired plants to gas-fired plants, form a Louisiana lobby group to promote this concept and join with Texas, Oklahoma and Mississippi to lobby for clean air by the conversion.
4. Proposal requesting that Governor Foster's administration work with IOGCC and a national level congressional delegation to bring stability to the oil and gas industry.
5. Proposal requesting that the Governor's Energy Council meet and consider all suggestions made at this forum.
6. Proposal to coordinate all regulatory agencies affecting the oil and gas industry and work to minimize the governmental cost to the industry.
7. Proposal to attract more international banks into the state in order to boost the flow of capital.
8. Proposal to redefine stripper wells as those producing 25 barrels or less per day.
9. Proposal to redefine incapable wells as those producing 25-35 barrels per day.
10. Proposal to create a new category of well to be called "incapable gas lift oil well" which will produce 50 barrels per day or less.
11. Proposal to consider a graduated severance tax system which would respond to changing oil prices.
12. Proposal to address the taxation issues regarding lease use and plant use gas.
13. Proposal that Act 2 be modified as to incentives regarding depth requirements for new wells.
14. Proposal that sales tax on exploration and production should be paid to the State by the vendor when collected from the operator.
15. Proposal to provide some relief to the oil and gas industry from sales tax in connection with the costs of drilling operations.
16. Proposal that oilfield service companies be afforded the same tax credit, for their state income and state franchise taxes, that oilfield service boat operators presently receive.

17. Proposal to set a reasonable cap on the ad valorem tax on marginal wells.
18. Proposal to encourage the State Mineral Board and the Foster Administration to take steps similar to those being contemplated by Oklahoma and Texas to give additional tax breaks to producers on stripper and incapable wells.
19. Proposal that the STEP and LEAP programs be re-visited.
20. Proposal that the Louisiana Assessors Association's Oil and Gas Committee will encourage the granting of economic consideration to companies who have stripper, incapable, or shut-in wells.
21. Proposal that the Assessors organization work with the oil and gas industry, Jim Porter, Don Briggs, and the Louisiana Tax Commission Chairman Mackie Price to develop some type of value consideration that will help producing wells.
22. Proposal for the Office of Conservation to delay enforcing compliance orders on a case by case basis.
23. Proposal for the Office of Conservation to waive production fees on incapable wells.
24. Proposal to help some oilfield service companies through the activities of the Oilfield Restoration Act.
25. Proposal to consider priority status for processing environmental permit applications, especially air permits, in order to reduce delays, increase efficiency, and keep the capital dollars, which are being spent, producing jobs and generating tax revenues.
26. Proposal for the Office of Mineral Resources to possibly reduce development obligations on a case by case basis.
27. Proposal to implement a program for shut-in oil wells similar to shut-in gas wells in which a nominal payment of \$10-\$25 per acre is paid.
28. Proposal to provide for a change in the bidding procedures to allow for a low or fixed bonus and a fixed 1/8th royalty until payout at which time a single variable royalty bid will take place.
29. Proposal to implement a study to determine the impact on the State's economy if severance taxes were eliminated and royalty was reduced to 1/8th on incapable wells.
30. Proposal that provisions be made to allow for shut-ins for oil wells on state leases.
31. Proposal that rental and royalty requirements for new state leases be re-examined.
32. Proposal to create an "incentive lease plan" to pay a fixed bonus with a minimum royalty on the first 100,000 barrels.
33. Proposal to provide for re-negotiation of royalty on existing state leases.

34. Proposal to allow for re-nomination of an existing state lease for public bidding in order to lower royalties.
35. Proposal to improve state government electronic data processing capability by accepting online filings to speed up the process.
36. Proposal requesting that the State Mineral Board and the oil & gas industry take a strong position on marketing our natural gas.
37. Proposal requesting that the State Mineral Board take a strong stand against the so called "processing tax".
38. Proposal requesting that the State Mineral Board support proposed legislation to eliminate the Wildlife and Fisheries \$60 per acre charge on seismic permits.
39. Proposal requesting that the State Mineral Board encourage the Louisiana Tax Commission to roll back its 27% increase in ad valorem taxes on oilfield equipment.
40. Proposal requesting that the State Mineral Board support the Office of Conservation's proposal for deep reservoir development.
41. Proposal requesting that the State Mineral Board support revising the 1999 Louisiana Tax Commission Rules.
42. Proposal requesting that the State Mineral Board support exempting sales tax on utility charges used for the production of oil and gas.
43. Proposal requesting that the State Mineral Board support a request to the Department of Revenue to re-evaluate its current policies regarding use taxes on fuel used to power production and processing equipment.
44. Proposal requesting that the State Mineral Board support working with the Public Service Commission and the state electric utility companies on emergency rate structure for marginal well producers.
45. Proposal requesting that the State Mineral Board support eliminating certain DEQ fees, i.e., discharge permits, gill net fees, right of way fees, as well as costs, in connection with disposal of drill cuttings, which amounts to about 20% of the cost of the well.