Drilling activity up

Haynesville changes landscape of Louisiana’s natural gas industry

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Two years ago this month, word about a natural gas reservoir to rival all others in the nation began leaking beyond whispers of the competitive oil and gas industry and into coffee shops and restaurants where average citizens were puzzled about the sudden interest in their mineral rights.

About another month passed before Chesapeake Energy Corp. went public with its claim of discovering the Haynesville Shale, pointing to exploratory drilling that started in northwest Louisiana in 2007.

The past two years have been a whirlwind of the good and bad: unexpected riches, disappointment-driven lawsuits, deteriorating roadways, well blowouts that forced folks from their homes, rig or well site accidents that have claimed at least three lives and maimed others, dozens of new businesses and expansion of existing ones, soaring sales tax receipts and water supply worries. The list goes on.

But the Haynesville Shale is settling in as a part of life in the Northwest corner of Louisiana. New homes are being built. New cars sit in driveways. Area governing bodies enforce and tweak road laws aimed at heavy truck traffic and noise complaints. Those same governments suddenly have the money to fund new projects, build roads, construct an animal shelter, give raises and update equipment. Surface- and groundwater concerns and solutions top agendas at numerous hearings.

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local and regional meetings.

Still, a smidgeon of uncertainty remains as far as the shale's long-term impact. Natural gas prices that escalated in the summer of 2008 to more than $13 per million British thermal units, took a nose- dive by the fall and with it a slice of the companies’ profits. On Friday, the price was $5.06 mmBtu.

Most companies appear to have weathered the price variation.

"We employ risk management measures to manage the price we receive for our natural gas," said DeWah K. West, EnCana Corp., communications director. "For example, we currently have about 60 percent of our 2010 natural gas sales hedged at a price of above $5 per thousand cubic feet. By managing the risk we are able to bring stability to our capital investment program over the long term, and are not as subject to the short-term swings in gas prices."

Nationwide, new policies supported by the Obama administration threaten a backward step, local industry officials say. At stake are energy tax incentives that some, such as Louisiana Department of Natural Resources Secretary Scott Angelle, believe would push higher energy prices and a greater dependence upon the 60 percent already imported — upon foreign sources.

And even the potential effect of hydraulic fracturing — a decades-old method by which natural gas is released from the shale reserves here and in other parts of the country — in the environment has moved into congressional inquiries.

No one in the industry is ignoring the state and national issues, but closer to home, life continues. And the industry mantra of last year, "The Haynesville Shale is just by operating drilling rigs, is up over the same time last year by a double-digit percentage, according to the state's natural resources department. The same can't be said for other states, with the only exception in Pennsylvania, where development of the Marcellus Shale natural gas formation has been stalled by more rigs, but the total count is still less than half that of Louisiana.

"Louisiana has a long and distinguished history of fueling America, and the fact that we are out-producing every major energy producing state in the nation at this time is a sign that the best may be yet to come," Angelle said. "This nation is looking to clean-burning natural gas to be a more critical part of our energy supply, and 95 percent of our drilling in Louisiana right now is for natural gas."

The number of drilling rigs in the United States declined sharply in late 2008 but is inching up. There are still 11 percent fewer rigs operating in the United States compared to last year.

Conversely, Louisiana's rig count is up from 170 to 197, a 14 percent increase. As of the last count, the rigs running in Louisiana alone made up more than 15 percent of the nation's drilling activity.

At that December meeting, the Revenue Estimating Conference accepted changes to state budget projections that included an oil price increase of more than $10 from $69.32 a barrel to $79.32 and a severance tax and royalty increase for mineral revenue of $13.8 million.

The leasing and activity have meant millions of new dollars in property taxes to local governments in the Haynesville Shale area, and businesses there have reaped the benefit of increased activity from the oil and natural gas industry.

The city of Mansfield, the DeSoto School Board, Caddo Parish Commission and DeSoto Police Jury have earned extra revenue in recent months through mineral rights leasing. Royalties are rolling in at least for the Caddo Commission and DeSoto Police Jury.

Red River Parish Assessor Becky Craig said she has never seen such an "exciting and dynamic time" in tax assessment in her parish in more than 20 years in office, with Haynesville Shale activity leading to an increase in tax base of more than 50 percent.

David Jones, Red River Parish school system Business manager, said in a news release the school system realized $1.5 million in new property tax revenue attributable to the Haynesville Shale. The increased funding allowed the school system to lower property tax rates, catch up on a backlog of deferred maintenance, pay for the changing of school roofs and still provide a one-time pay supplement for parish teachers.

"While this is more of an increase than we anticipated, this is a good problem to have," Jones said.

The growth of the Haynesville Shale is already providing many job opportunities for residents of Louisiana. This fall, Bossier Parish Community College will start an Oil & Gas Technology Certificate Program as well as a two-year associate degree program focused on training future lease operators.

A robust energy exploration industry means demand not only for jobs on drilling rigs and with exploration service companies, but for the people who help provide food, fuel, homes, clothing and services to those who work in the industry.

"We at DNR and in this state understand that oil and natural gas companies do have a choice about where they will do their business. We want to make sure that we can create an environment that allows industry to do business responsibly, without sacrificing our stewardship responsibilities," Angelle said.