



Chairman's Message

Thirty-one members and guests were present at the October meeting to hear a comprehensive talk on the BP "event" by Professor Eric Smith from Tulane. Among the guests were three prospective new members, including Brenda Reilly and Robert Hafner. As promised, the lunch service by Andrea's staff was much improved.

This month, on Tuesday, November 9th, at 11:00 a.m., we shift our venue downtown to the Roosevelt Hotel for the joint API/Delta Chapter Joint Societies Luncheon. Initially the guest speaker was to be Lt. Governor Scott Angelle; however, because of a scheduling conflict, he had to cancel, and has been replaced by Randall Luthi. Mr. Luthi is the president of The National Ocean Industries Association and a former director of MMS. His talk will be "Moving Past the Moratorium".

This meeting is included in your local dues but you will need to check in at the table outside of the meeting room, so we can pay API for our members attending.

As of the October meeting there were a significant number of outstanding dues. Please check your records to make sure you are not among the "un-paid"!

Louis Lemarié



Joint API Luncheon
Randall Luthi
President
National Ocean
Industries Association

Roosevelt Hotel
Tuesday, November 9
*Notify the registration desk that you are
with SIPES.*



South Louisiana Activity

by Carlo Christina

This column is based in part on SONRIS information and parts of appear in the NOGS Log. For the latest information check the La DNR SONRIS site. [Ed.]

In Assumption Parish, Meridian Resources, Inc. staked a location in **East Lake Verret Field** in Sec. 34, T13S-R13E. The #3 Kafoury is permitted to 14,450', and is drilling below 12,500 feet.

Cameron Parish is featured with the permitted location of a 26,000' well. You might recall my first column in October reported a "rumored" very deep test in **Johnson Bayou Field**. Armstrong Louisiana, LLC has permitted the #1 BP Fee, and will operate the well to be located in Sec. 21, T15S-R14W. Armstrong has offices in Denver, Colorado.

Johnson Bayou Field was discovered in 1924 with many shallow completions at depths of 1100 feet or less. Until 1944, no wells were drilled deeper than 11,900 feet, and not until 1972 was there a test deeper than 15,000 feet. Planulina production was established at that time at depths of 10,700' and 11,500'. Most recent production has been in intervals between 7000' and 8000 feet.

A 26,000' test might encounter the Hackberry section at approximately 20,000', the Yegua section at 22,000', and could be in the Wilcox at total depth.

In Beauregard Parish, MidStates Petroleum Co. continues to aggressively explore deep Wilcox sands with the #7 Musser-Davis in **South Bearhead Creek Field**. The well is permitted to 15,500' at a location in Sec. 33, T6S-R11W. The #6 Musser-Davis, *(serial #241216) was recently completed in the LoWx sand, flowing 220 BOPD + 150 MCFG, through perforations 13,638 to 13,846'. The #3 Musser-Davis *(serial #241333), was completed in the UpWx sand flowing 120 BOPD +350 MCFG.

Jefferson Parish has a new location staked in **Bayou Villars Field**. Royal Production will drill the #1 SL 20260 in T15S-R23E to a proposed depth of 10,500 feet. The well is drilling below 10,200 feet.

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Randall Luthi - bio

President of the National Ocean Industries Association and a former Wyoming State Representative and Speaker of the House, Luthi is an attorney and rancher from Freedom, Wyoming, who brings with him a solid background in federal service.

Luthi was the Director of MMS at the Department of the Interior (DOI) from July 2007 through January 2009. Under his leadership, MMS conducted the largest Gulf of Mexico Outer Continental Shelf oil and gas lease sale in history as well as the largest Arctic Outer Continental Shelf oil and gas lease sale in history. He also oversaw collection of the highest dollar amount of mineral revenue collections and distributions in history as well as the creation of a renewable energy office.

Luthi also served as the Deputy Director of DOI's Fish and Wildlife Service (FWS) immediately prior to directing MMS.

He was first elected to the Wyoming House of Representatives in 1995, and served as Speaker in 2005 and 2006. Based on his work in the Wyoming legislature, Luthi developed an understanding of the importance of energy royalties paid to the federal government. As Majority Leader and Speaker of the Wyoming House, Luthi was instrumental in formulation of state budgets which relied heavily upon royalties and taxes paid by energy companies.

He was also a legislative member of the Energy Council, an organization of legislative representatives from energy-producing states, Canadian provinces and private energy-related industries.

Luthi previously served in other federal government career positions in Washington, including Senior Counselor for Environmental Regulations in the National Oceanic and Atmospheric Administration's (NOAA) Office of General Counsel from 1990 to 1993, and as an attorney in DOI's Office of the Solicitor from 1986 to 1990.

Early in his career, Luthi worked as a legis-

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Randall Luthi, continued from page 2

lative assistant in the office of U.S. Senator Alan K. Simpson of Wyoming. Luthi graduated from the University of Wyoming in 1979 with a B.S. in administration of justice, and earned a J.D. from the University of Wyoming in 1982. He owns a cattle ranch in Freedom, Wyoming.

The National Ocean Industries Association is the only national trade association representing all segments of the offshore in-

dustry with an interest in the exploration and production of both traditional and renewable energy resources on the nation's outer continental shelf. The NOIA membership comprises more than 250 companies engaged in business activities ranging from producing to drilling, engineering to marine and air transport, offshore construction to equipment manufacture and supply, telecommunications to finance and insurance.

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Clovelly Field, in Lafourche Parish, has a new proposed 14,435' test, operated by Castex Energy, Inc. The #1 Allain-Lebret-on is located in Sec. 10, T19S-R22E was spud on 10/17/10, and is drilling below 9287 feet.

In Saint Landry Parish, the **old field of Opelousas** has a new proposed well in Sec. 117, T6S-R4E. Destin Operators will drill the #3 W.Lalonde to a projected depth of 14,014 feet. Destin recently re-established Sparta production in Opelousas Field with the #2 Lalonde, et al. *(serial #240986), flowing 682 BOPD and 3200 MCFD through perforations 12,188 to 12,263, overall. The #3 Lalonde is waiting on a rig.

Terrebonne Parish has attracted a deep test in **Hollywood Field**. Petro-Hunt will drill the #1 Houma Community well in Sec. 101, T17S-R17E, to a projected depth of 17,700 feet. In 2008 Petro-Hunt completed its #1 Southdown Sugars, *(serial #235330) in the Hollywood sand through perforations 15,696-15,708', flowing 30 BDPD + 2125 MCFG.

In Vermillion Parish, LLOG has permitted the #1 SL 19639 in **Intracoastal City Field** to a depth of 15,986 feet. The location falls in the Bay in T15S-R3E. It is drilling below 6950 feet.

Also in Vermillion Parish, McMoRan will drill its #1 ExxonMobil Fee in **Roll-over Bayou Field**, to a projected depth of 17,847 feet. This well was permitted in Vermillion Block 4, with a bottom hole location in Sec. 8, T17S-R1W.

Offshore Locations:

Century Exploration has staked 2 locations in **Breton Sound Block 53 Field**. The #1 SL 19051 is permitted to 11,700', and the #1 SL 19391 is projected to 17,550 feet.

Louisiana Shelf Activity

by Al Baker

Between May 1st and October 25th, a total of ten drilling permits have been granted for offshore shelf wells. Approximately half of the GOM jack-up fleet (19 rigs) is currently at work drilling new wells or sidetracking existing wellbores. Of the ten permitted wells, only one appears to be a wildcat, namely, the **Eugene Island Block 233**, McMoRan Oil & Gas, OCS-G 21640 #1 (Lafitte Prospect) in 140 feet of water. The Lafitte exploration well commenced drilling on October 3, 2010, and is preparing to drill ahead towards a proposed total depth of 29,950 feet. This well is targeting Middle and Lower Miocene objectives below a salt weld. Other wells of note include the Rooster Petroleum, LLC, **Eugene Island Block 28**, OCS-G 5479 #6 well that found 60 feet of high quality pay in two zones of stacked Cib. carst. reservoir sands. The #6 well was drilled to a total depth of 10,950 feet in 15 feet of water. This well is the second successful well drilled by Rooster Petroleum at Eugene Island Block 28 this year. In January 2010, the Rooster, Eugene Island 28 #A-3 oil well began producing from a Tex. W sand. Rooster intends to drill at least two additional wells to delineate the Cib carst. Sands on Block 28. In offshore Texas, a joint venture comprised of Peregrine Oil & Gas, Entek and Challenger Minerals has received approval to drill a well in **Galveston Block A-133**. An early November 2010 spud date is anticipated. The well is targeting a 12 BCF prospect (Lentic. I?) that is well-defined by a seismic amplitude anomaly.

According to an article in *The Oil & Gas Journal* by Nick Snow dated October 7, 2010, a new Southern Methodist University study indicates that a marked slowdown in the U.S. government's issuing of new GOM shallow-water drilling permits poses serious implications for the U.S. Gulf Coast's economy. The SMU study stated that nearly 40,000 oil and gas industry-jobs are in jeopardy. Many Gulf Coast communities and laborers are hoping that real "change for the better" happens sooner rather than later.

Gas shale - a contrarian view

excerpted from an article on the Marcellus Shale Plat, by, Art Berman. Reference @ <http://www.theoil drum.com/node/7075>

The so-called shale gas revolution promises E&P opportunities that are geographically immense with no barriers to entry. These ventures supposedly have no risk. Because of shale plays, we are told that there will be an abundant supply of inexpensive gas for 100 years. And the E&P companies involved will all earn big profits. Is there precedent for this improbable combination of make-believe business assumptions that did not end in disappointment?

U.S. shale plays have been over-sold and are unlikely to deliver the results that investors expect. Shareholders have already lost most of their investment. The shale gas resource is huge but the commercial portion is likely to be much smaller than what has been claimed or hoped for. At higher gas prices, more of the resource makes economic sense but that depends for the near term on production discipline that seems to be absent in the U.S. E&P companies. It also assumes that service costs do not escalate at similar multiples to gas prices.

For many companies, there is no turning back—the entire company has been bet on the success of shale plays. This seems to violate what has been learned in the E&P business about the importance of having a balanced portfolio. In some cases, companies do not have sufficient shareholder value to justify being bought and, therefore, saved.

There is limited value from these plays despite enthusiasm and operator claims. E&P shareholders have subsidized low natural gas prices and have little hope of recovering their investment in the near term. The problem is a failure to grasp the concept of discounting. Reserves that are produced in small volumes over decades have little future value and are, therefore, not reserves. The shale plays are called resource plays for a reason: they are all about resources but not profit or the shareholder.

The technical argument revolves around the shape of the production decline curve that projects how long, and at what level, we can expect gas shale wells, and by implication the entire gas shale play, to produce. When you do the math – volume multiplied by time – you arrive at an estimate of the economic ultimate recovery (EUR) of the well. There are two schools of thought about the shape of the decline curve and they are defined by the value of the exponent "b" in the equations defining the curve's

shape. The equation includes the initial production rate, the initial rate of production decline and the degree that the initial decline rate flattens out over time.

The people who believe in a hyperbolic decline rate (b equal to or greater than 1.0) expect gas shale wells to produce at a reasonably high rate, and therefore a low cost, over a long period of time. The less optimistic people believe an exponential decline curve does a better job of plotting future production. Therefore, they believe the b exponent will have a value below 1.0 and closer to 0.5. Putting this debate into context, those who believe in the hyperbolic decline rate project EURs for gas shale wells in fields such as the Haynesville and Marcellus will be between 5.25 billion cubic feet (Bcf) and 6.5 Bcf, as postulated by Chesapeake En-

ergy (CHK-NYSE) in its recent presentation to analysts. Those who believe in the exponential decline would put production for these same wells closer to 2.0 Bcf.

Excerpted from Musings: Curtain Being Pulled Back from The Oz of Gas Shales by G. Allen Brooks|Parks Paton Hoepfl & Brown|Tuesday, October 26, 2010. http://www.rigzone.com/news/article.asp?a_id=100592&hmpn=1 See additional views on the Marcellus Shale play on page 5.

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