By: LORI LEBLANC, Offshore Committee Director
LMOGA

Oil prices, regulations make headlines in 2016

Falling oil prices. Punitive federal regulations. Massive layoffs. Business closures. Severe budget cuts. When it comes to the state and local economy and our homegrown oil and gas industry, the headlines in 2016 generally have not been pleasant. In the Houma/Thibodaux metropolitan statistical area, for example, a loss of 15,000 jobs from 2015-2017 has been predicted. Needless to say, this year has been tough for thousands of Louisiana workers, businesses and communities, not to mention our own state government.

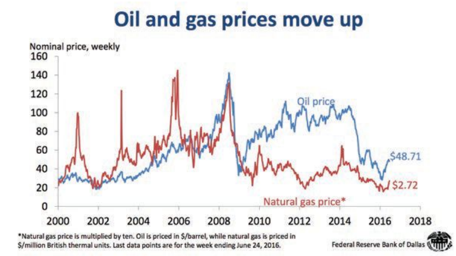
A new year brings hope, however, and there is good reason to believe in 2017 we will see light at the end of this tunnel with renewed production in the Gulf and an uptick in crude oil prices. This won't magically erase the losses we've experienced over the past two years, but it may get us on the road to recovery, and that's a road we all want to be on right now.

Here's a look at some of the issues that shaped our oil and gas industry and south Louisiana communities during the past year, and the expectations we have for 2017:

- Crude oil prices — Increased production by OPEC nations like Saudi Arabia and increased shale production in the U.S, combined with lukewarm global demand, cut the price of oil in half from 2014-2015 (from $98/barrel down to $52/barrel). That slide continued in 2016 with prices hitting a low of $26. A proposal by OPEC to cap global oil production helped raise prices to a one-year high of $53 in early October, and as of this writing, prices have dropped slightly below that. In a recently published report for the South Louisiana Economic Council, economist Dr. Loren Scott predicts oil averaging $53/barrel next year and $60 in 2018, which would be welcome news for our local economy.
- Federal regulations — Oil prices aren't the only factor impacting our region's path to economic recovery, however. An onslaught of new regulations issued by the current administration over the past year are making it increasingly difficult and less financially prudent for producers to invest in Gulf of Mexico (GOM) oil and gas development. In 2016 alone, we have seen the far-reaching well control rule issued, a new air rule proposed and the issuance of new financial assurance requirements related to decommissioning wells, all of which are exceedingly costly. The cumulative impacts could force some smaller operators out of business while driving other operators out of the GOM to explore for oil in other parts of the world. Future regulatory decisions will lie in the hands of America's next president.
- Gulf energy production — According to the U.S. Energy Information Administration, Gulf oil and gas production is expected to average 1.79 million bpd in 2017, reaching a peak of 1.91 million bpd in December 2017, even if crude oil prices remain low. That's an increase of 10 percent from the predicted average of 1.63 million bpd this year and 24-percent higher than in 2015. By 2017, oil production in the GOM is forecast to represent 21 percent of total U.S. crude production, up from 18 percent this year, as a result of six new deepwater production platforms expected to go on line in 2016 and 2017. As Dr. Scott has pointed out, just a modest improvement in crude oil prices and an improvement in costs now associated with unreasonable regulations could increase Gulf activity, with the jobs and economic spark that comes with it.

The Louisiana Mid-Continent Oil and Gas Association and its Offshore Committee are committed to supporting oil and gas development and the companies that invest in our Gulf because we recognize the tremendous impact a healthy industry has on our state and nation. We wish you and your family a healthy and prosperous 2017!

For more information, visit www.lmoga.com or call (225) 387-3205.



Sources: U.S. Energy Information Administration, Wall Street Journal.

NEWS **UPDATE**

CF Industries starts up new La. ammonia plant

DEERFIELD, Ill. — CF Industries Holdings Inc.'s new ammonia plant at the company's Donaldsonville, Louisiana, Nitrogen Complex was started up in September and has now achieved consistent, stable operation over the nameplate capacity of approximately 3,600 tons per day. The plant has produced more than 50,000 tons of ammonia since start-up.

With the commissioning and start-up of the new ammonia plant, the Donaldsonville complex is now the largest nitrogen facility in the world.

This is the final new plant to be commissioned and started up as part of CF's capacity expansion project at Donaldsonville. It is the largest ammonia plant by nameplate capacity in the world, sharing that distinction with three ammonia plants in Saudi Arabia.

"The start-up of the new ammonia plant signals the completion of our Donaldsonville capacity expansion project," said Tony Will, president and chief executive officer of CF Industries Holdings. "With all three new plants from the expansion running consistently at or above nameplate capacities, Donaldsonville's expanded asset base and unmatched logistics capabilities are ideally positioned to serve customers in North America and around the world, while strengthening our cash generation now and into the future."

Total annual gross ammonia capacity at Donaldsonville is now 4.3 million tons, up from 3.1 million tons previously. The Donaldsonville complex has flexibility to switch production from merchant ammonia to upgraded products, so the actual mix of net ammonia and upgraded products for sale will vary based on market conditions.

With the commissioning and start-up of the new ammonia plant, the Donaldsonville complex is now the largest nitrogen facility in the world.

For more information, visit www.cfindustries.com or call (847) 405-2400.