



**LOUISIANA IS PROUD TO BE A HUB OF INDUSTRY.**

Doing Business Here Has  
Never Been **Smarter.**

**For more than a century, Louisiana has proudly served as a hub of the oil and gas industry, and with a renewed focus on customer service and process efficiency, our future has never been brighter!**

**Louisiana recognizes that you have a choice about where to spend your investment dollars and that you need to conduct business in the most efficient and cost-effective way possible. That is why we are pleased to announce several initiatives designed to streamline the permitting and leasing processes, reform liability issues, and make doing business in Louisiana one of the smartest investments your company can make.**

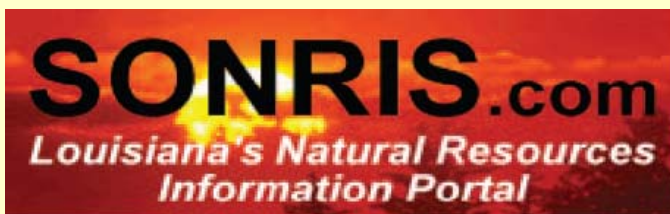
# YOU SPOKE AND WE LISTENED.

Louisiana recognizes the challenges that the oil and gas industry faces in getting heat to our homes and gasoline in our tanks, and a confusing or cumbersome state system should not be one of them.

In 2003, the rig count was up in Texas, up in Oklahoma, up in America, but down in Louisiana. Our coastal permitting system and other inefficiencies had become paralyzing, and companies were choosing to invest elsewhere.

Over recent years, industry representatives like you have expressed support for a more efficient permitting process that cuts across departmental lines, providing both environmental protection and the green light for your project to start in a time efficient manner. You asked for changes in state law to clearly define your legal rights and responsibilities with respect to leased property. And you recommended programs and better customer service to help secure your investments in Louisiana and encourage your company to do business in Louisiana for many years to come.

Much progress has been made within our state government over the past few years as a result of your suggestions. Below are some of the most important reasons why doing business in Louisiana has never been smarter.

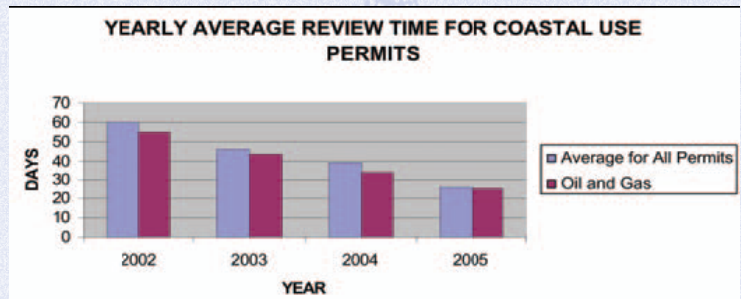


## SONRIS Web-Based Information System

The Strategic Online Natural Resources Information System (SONRIS) is a state-of-the-art public service of the Louisiana Department of Natural Resources, providing free, web-accessible information 24 hours a day to corporate customers and private citizens. The online system is recognized as one of the most advanced in the nation and has received a number of national awards.

## SONRIS provides access to:

- All DNR databases, electronic and scanned files
- Coastal Use Permitting applications and status tracking
- Oil and gas well data and reports
- Weekly conservation scout reports and drilling reports
- Conservation field orders, well files, well logs
- Mineral Board minutes & State Leasing data
- Energy HERO applications
- GIS component for retrieving a variety of layers and backgrounds such as active state-owned mineral leases, tracts, parish boundaries, offshore blocks, coastal use permits, aerial photos, satellite imagery, well locations and oyster leases
- Electronic submittal of data required for transactions
- Ability to make online payment for DNR invoices



## Improved Efficiency Reduces Time for Coastal Use Permits

- Our renewed focus on process efficiency has enabled the Louisiana Department of Natural Resources to reduce coastal use permitting time by more than 55 percent since 2002, from approximately **60 days down to 27 days**, while continuing to fulfill its role as coastal steward for Louisiana.
- Online permit application and fee payment for coastal use permits, with enhanced online tracking of application status
- More general permits established for projects with limited impacts
- Memorandum of Understanding with the Louisiana Department of Wildlife and Fisheries (DWF) that establishes standard permit conditions for some projects, eliminates DWF review on smaller mitigation projects, and provides cost-savings for applicants

**DNR is proud to offer these enhanced services while continuing to fulfill its role as coastal steward of the State of Louisiana.**

## Expedited Permitting Process Reduces Time for DEQ Permits

In 2006, the Louisiana Legislature authorized the Louisiana Department of Environmental Quality (DEQ) to implement an Expedited Permit Processing Program, which has proven successful in reducing permitting time for companies requesting this service. Under the current pilot program, major DEQ permits can now be issued two to three months sooner than under normal processing, while minor permits not subject to public notice may be issued in as little as two weeks.

For more information, log on to:

[www.deq.louisiana.gov/portal/tabid/2622/Default.aspx](http://www.deq.louisiana.gov/portal/tabid/2622/Default.aspx)

# Exploration and Production Incentives

## SEVERANCE TAX INCENTIVES

- **Deep wells:** All severance tax is suspended on production of natural gas, gas condensate, and oil from any well drilled to more than 15,000 feet TVD, where production commenced after July 31, 1994. The tax is suspended for 24 months or until payout of the well cost, whichever comes first.
- **Horizontal wells:** All severance tax is suspended on any horizontally drilled well, or on any horizontally drilled recompletion well, from which production commences after July 31, 1994. The tax is suspended for 24 months or until payout of the well cost, whichever comes first.
- **Inactive wells:** All severance tax is suspended on production from oil and gas wells for a period of 5 years when returned to service after being inactive for 2 or more years or having 30 days or less of production during the past 2 years.
- **Incapable oil wells:** Reduced tax rates are offered on oil produced from a well classified by the commissioner of conservation as an oil well as follows:
  - ⇒ For wells that produce 25 BOPD or less for the entire taxable month, and that also produce at least 50% salt water per day, the tax rate applicable to the oil severed from such a well is 6.25% of the net taxable value.
  - ⇒ For wells that produce 10 BOPD or less for the entire taxable month, the tax rate applicable to the oil severed from any such well is 3.125% of the net taxable value.
- **Stripper oil/value less than \$20 per barrel:** Crude oil produced from certified stripper wells is suspended from severance tax in any month in which the average value is less than \$20 per barrel.
- **Incapable gas wells:** For gas produced from a gas well, which has been designated as such by the office of conservation, and which has been determined to be incapable of producing an average of 250 MCFs of gas per day, the tax rate applicable to the gas severed from such a well is one and three-tenths cents (\$0.013) per MCF. To qualify for the reduced rate, a gas well must be incapable of producing 250 MCFs of gas per day during the entire taxable month.
- **50 PSI wells:** Gas produced from an oil well, which has been designated as such by the office of conservation, and which has been determined to have a wellhead pressure of 50 PSI gauge or less under operating conditions, or, in the case of gas rising in a vaporous state through the annular space between the casing and tubing of such oil well and released through lines connected with the casinghead gas which has been determined to have a casinghead pressure of 50 PSI gauge or less under operating conditions, the rate is three cents (\$0.03) per MCF.

For additional information on severance taxes, call the Louisiana Department of Revenue at (225) 219-7656 or visit their website at <http://www.revenue.louisiana.gov/sections/business/severance.aspx>.

## DRY HOLE CREDIT

In 2005, the Louisiana Legislature adopted the Developed Resources in Louisiana (DRIL) Act to encourage deep exploration for oil and gas reserves on state lands and water bottoms located in the Louisiana Coastal Zone, which extends to three miles off of the state's coast. The Act authorizes royalty relief in the form of a dry hole credit program, administered by the Louisiana Department of Natural Resources (DNR). The program provides credits for dry holes that are drilled—credits that can be used to offset future state royalty payments on producing wells. The amount of the credit is 50 percent of the cost of the dry hole or the value of 5 BCF of natural gas, whichever is less.

Under the program, Dry Hole Credit Wells and subsequent Royalty Relief Receiving wells must:

- Be drilled for the purpose of developing and producing oil and gas resources after July 1, 2005 and completed before June 30, 2009
- Be drilled on a state lease within the coastal zone at a depth below 19,999 feet
- Be certified under the DNR Dry Hole Credit Well Program
- Include an approved mitigation program

The Dry Hole Credit amount may then be deducted from future royalty payments due to the state on production below 19,999 feet from the Royalty Relief Receiving Well.

## Legacy Liability Reform

In 2006, the Louisiana Legislature approved significant legacy-site liability reform that allows the Office of Conservation, rather than the courts, to formulate a remediation plan for a site found to have sustained environmental damage from exploration and production activities. According to Senate Bill 655, the Office of Conservation formulates a remediation plan that is then submitted for approval by the court. Once approved by the court, the estimated cost of remediation is placed in the registry of the court to fund the remediation. The Office of Conservation then supervises the remediation until completion. If there are any remaining funds after completion of the remediation, the funds are returned to the responsible party or parties. This process ensures that the funds, from the first dollar, are used for cleanup and that public resources are protected.

### Industry Liaison Positions Created

In 2007, the Office of Mineral Resources established its first Industry Liaison positions to assist you with doing business in Louisiana in the most efficient way possible. Louisiana has two such positions occupied by licensed attorneys – one in Louisiana and one in Texas to better serve our customers. This is just a part of Louisiana's return to the old-time value of customer service.

In Louisiana, contact Scott Patton at [Scott.Patton@la.gov](mailto:Scott.Patton@la.gov).

In Texas, contact Lisa Liles at [Lisa.Liles@la.gov](mailto:Lisa.Liles@la.gov).

## Center for Petroleum Workforce Development

After researching the energy workforce needs of Louisiana, it became increasingly apparent that there was a significant shortage of trained personnel, due to fluctuations in the industry over the years. In the summer of 2006, the State of Louisiana announced the creation of the Center for Petroleum Workforce Development at Shell Oil Company's Robert, Louisiana training center, as a result of a joint venture agreement reached between the State of Louisiana, Louisiana State University and Shell. By developing the Center for Petroleum Workforce Development and making the facility available to the entire industry, the Center will increase the replacement rate of trained employees in the industry. The Center's training concept is to have oil companies hire and send their employees to the Shell/LSU facility from all over the world to obtain the highest training levels possible. This process will assure the industry of a needed supply of highly trained and skilled personnel. It will also develop a career path for workers that will lead them to a long-lasting and satisfying career in the industry.

**For detailed information about the Center, including course offerings, visit their website at**

**[www.shelltraining.com](http://www.shelltraining.com).**

**The Center's telephone number is (985) 543-1200.**



## Other Louisiana Business Incentives

### Louisiana Enterprise Zone Program

\$2,500 tax credit for each net new permanent job created during the first five years of operation.  
Rebate of Louisiana 4 % sales/use tax on materials, machinery, equipment purchased during the construction period and used exclusively on site.

### Quality Jobs Program

Rebates of up to 6 % of a qualifying company's gross annual payroll associated with new jobs created by a company for up to ten years.  
Possible rebate of the state's 4 % sales/use tax on materials, machinery, equipment purchased during the construction period and used exclusively on site.

### Industrial Property Tax Exemption

Rebates local property taxes for ten years on a manufacturer's investment in buildings, machinery, equipment, and other properties that are part of the manufacturing process and remain on plant site.

### Research & Development Credit

Provides tax credits for R&D activities from 8% to 20% to companies claiming federal income tax credit for research activities.

### Early Stage Angel Investment Incentives

Provides accredited Louisiana investors with an incentive for making early-stage investments in Louisiana-based startups. Investors receive a 50 percent tax credit, divided into 10 percent credits over five years, on Louisiana income or corporate franchise tax.

**For complete information on these Louisiana business incentives, visit**  
**[www.Louisianaforward.com](http://www.Louisianaforward.com).**

## Improvements in State Leasing Operations

- **State Lease Acquisition Process Streamlined**  
The Louisiana State Mineral Board took a giant step forward to accommodate individuals and companies seeking to acquire mineral leases on state lands and water bottoms in July 2004. The processing time between state mineral lease nomination and award has been reduced from approximately **108 days to 80 days**, effectively accelerating a prospective leaseholder's acquisition schedule by nearly a month.
- **User-Friendly Website**  
The Office of Mineral Resources website has been revamped with a helpful "How-To Guide" that takes you step-by-step through the process of leasing, paying royalties, and operating on state land. In addition, hyperlinks are provided to download all of the necessary forms .
- **Online Nominations**  
For your convenience, nominations of tracts for bidding and accompanying fee payments can now be made online through the Office of Mineral Resources website.



## State Corporate Tax Reform

Louisiana has recently embraced two significant measures of corporate tax reform designed to foster growth of industry in our state and improve your bottom line.

### Corporate Income Tax

The "Louisiana Headquarters and Growth Act of 2006" restructured Louisiana's tax code to reduce taxes for many Louisiana businesses and encourage companies to locate their headquarters in the state. The Act includes major changes to Louisiana's tax structure, such as making income from dividends and interest tax-exempt for all companies doing business in Louisiana, as well as a portion of capital gains.

The effect is to level the playing field between businesses that have their headquarters in Louisiana and out-of-state corporations that do business in Louisiana. Before this legislation, companies headquartered in Louisiana paid tax on 100 percent of their income from interest, dividends and capital gains and out-of-state companies paid no tax on this income. Now, no corporations will owe tax on interest and dividends they receive and both an in-state and an out-of-state corporation will only pay tax on capital gains to the extent they actually do business in Louisiana.

### Corporate Franchise Tax

Under Louisiana law, a corporation's state franchise tax base is the entire liability section of the balance sheet, less debt incurred and paid off in less than 12 months. In other words, in the past, corporations have been taxed on debt. As of January 21, 2006, Louisiana began phasing out the corporate franchise tax on debt, and it will be completely eliminated from the tax base in 2012.



## We're Still Listening. . .

Louisiana's progress does not stop here. We continue to listen to your suggestions and are constantly improving to meet the needs of industry while properly managing the resources of our state. Here is one of a few proposals now being developed:

- *Completion of a new Memorandum of Understanding with the Louisiana Department of Environmental Quality for coastal use permitting*

## Louisiana Leads the Way

- The nation's most advanced electronic coastal permitting system
- 55 percent reduction in coastal permitting time
- Historic legacy lawsuit legislation adopted in 2006
- New dry hole credit program
- Reductions in state sales tax on machinery and equipment
- Phasing out corporate franchise tax on debt
- State rig count up 67 percent since January 1, 2004
- The Office of Mineral Resources had record setting mineral income collections in fiscal year 2006-07