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## Governor Threatens to Block Energy Leases Off Louisiana



Lee Celano/Reuters

Gov. Kathleen Babineaux Blanco addressing the Louisiana Legislature on Monday in New Orleans. She said if Washington did not split offshore energy leasing fees, she would move to block the oil and gas leases.

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By [GARY RIVLIN](#)

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NEW ORLEANS, Feb. 7 — Seeking more money from Washington for hurricane relief, Gov. Kathleen Babineaux Blanco entered uncharted legal territory with a threat on Monday to block oil and gas leases worth hundreds of millions to the federal treasury unless the state received its "fair share" of the revenues.

"It's time to play hardball, as I believe that's the only game Washington understands," Ms. Blanco said Monday night as she opened the second special legislative session she has called since Hurricanes Katrina and Rita.

Oil and gas companies pay for the right to extract natural resources from the Gulf of Mexico. [Louisiana](#) collects royalties, as well as severance taxes on resources extracted within three miles of its border. Those programs add hundreds of millions of dollars a year to the state treasury. Louisiana receives no share of the leasing fees on oil and gas reserves beyond the three miles, which are in federal waters.

The federal government negotiates those leases, which give more influential states like Florida and Texas extended state waters, effective every August.

Ms. Blanco, a Democrat, said Monday that she sought to split the leasing fees 50-50. "If no effort is made to guarantee our fair share of royalties," she said, "I have warned the federal government that we will be forced to block the August sale of offshore oil and gas leases."

It remains to be seen whether the governor has the authority to block the leases. By statute, the Minerals Management Service, the agency in the Interior Department that oversees offshore leases, has to seek comment from the affected governors. It is not clear what occurs if a governor refuses to approve a pact.

"You can say we're in unprecedented territory here," said David E. Dismukes, associate director of the Center for Energy Studies at Louisiana State University.

Mr. Dismukes said there could be a protracted legal contest if no settlement was reached and the governor felt compelled to carry through on her ultimatum.

A spokesman for the Minerals Management Service, Gary Strasburg, said Congress could earmark a share of the leasing revenue to any state. As Mr. Strasburg described the process, seeking a governor's advice seemed little more than intergovernmental courtesy.

"It's not an issue of whether or not the governor approves of what we're doing, because if she voices an objection, we'll note that and continue with our negotiations one way or another," he said.

The federal government collected more than \$1.5 billion in leasing fees last year from oil and gas companies along the Gulf Coast, a significant part from rigs off Louisiana.

The state faces a shortfall of nearly \$1 billion in the current fiscal year.

The fight for a larger share of leasing revenue predates Hurricane Katrina, said Andy Kopplin, executive director of the Louisiana Recovery Authority, and is closely linked to the damage that pipelines and oil-service vessels inflict on coastal wetlands. The greater the coastal erosion, the greater the storm surge after a hurricane.

"There's a very clear connection between our role providing one-quarter of the oil and gas produced in this country and our vulnerability to hurricanes," Mr. Kopplin said. "The governor's point is that we need a greater share of the revenues from offshore oil and gas to help us restore and protect our coastline."

Even if Ms. Blanco never carries through on her threat, her speaking up may help by keeping the recovery question on the radar in Washington, said T. Wayne Parent, a political scientist at L.S.U. "The fear here is that the Congress and the president seem to be moving on to other things," Professor Parent said. "She knows that this will capture people's attention and force people to pay attention to Louisiana."

That fear has been particularly acute since last week, he said, when President Bush "barely mentioned Hurricane Katrina" in his State of the Union speech.

On Monday, Ms. Blanco also announced how the state plans to allocate the \$7.7 billion from Washington for block grants and repairing hazards. The bulk of that, \$4.6 billion, should be spent helping homeowners replace or repair houses damaged in the storm, she said.





She added that the money was not nearly enough to help compensate people who lost houses to the storms. "We had 10 times more businesses destroyed," Ms. Blanco said Monday. "We had five times more jobs lost. And we weathered more than 75 percent of the total property and infrastructure damage caused by the storm. However, we received only 54 percent of the block grant funding."

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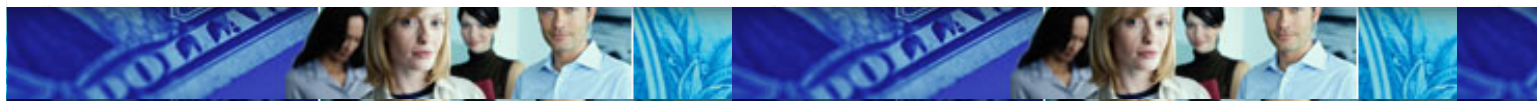
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