Gov. Kathleen Blanco is gearing up for a potentially pricey legal battle to block the August sale of federal leases for oil and gas exploration off Louisiana’s coast.

The state has hired a Washington, D.C., law firm populated with former government attorneys to sue the federal government. The firm estimates the litigation could cost the state up to $1 million.

The legal action is part of the governor’s campaign to get a larger share of the billions of dollars the federal government reaps from oil and gas production in the Gulf of Mexico off the state’s coast.

Not everyone thinks a legal battle is the best strategy.

Larry Wall, public relations coordinator for Louisiana Mid-Continent Oil and Gas Association, the information arm of that industry, pointed out only an act of Congress can bring the state more money.

“They need to work in that direction and not this direction,” Wall said Wednesday.

The Blanco administration acknowledges that even a federal judge cannot hand the state a bigger slice of offshore royalties.

The governor’s strategy is to put the pinch on the federal government’s pocketbook to force action on sharing royalties.

For oil and gas produced between three miles and six miles off Louisiana’s shore, the state gets 27 percent of the federal government’s share of the royalties. That averages about $30 million a year.

Beyond six miles, the state collects nothing. That policy cost the state $5 billion in royalties that the federal treasury received instead last year.

A single lease sale — in which the federal government auctions the drilling rights and future royalties for acres of oil field — can generate anywhere from $300 million to more than $1 billion, said Sidney Coffee, the governor’s executive assistant on coastal activities.
The federal government probably is depending on revenue from the August lease sale, said Robert G. Szabo, an attorney with Van Ness Feldman, the Washington law firm retained by the state.

Szabo, a Louisiana native, called it “bitter unfairness” that the federal government is not big on sharing when it comes to offshore revenue.

A lawsuit to block federal revenue on offshore drilling, he said, would get the federal government’s attention.

There is a concern that the state could be shooting itself in the foot. The question is whether it is a good idea to impede an industry that is struggling to rebound from last year’s hurricanes.

Coffee said the governor met three months ago with the heavyweights in the oil and gas industry — Exxon, Shell and Conoco, among others.

The mood at the meeting was not sunny when Blanco made it clear that she would take the federal government to court, tying up lease sales for the unforeseeable future, Coffee said.

“No, they were not pleased to hear that,” Coffee said.

U.S. Rep. Bobby Jindal has authored a bill that would provide the state up to $2 billion a year in new revenue from offshore drilling.

Jindal’s legislation calls for the state to receive 75 percent of royalties from three miles offshore to 12 miles offshore. Beyond 12 miles, the state would receive 50 percent of royalties.

The bill is awaiting action in the U.S. House Committee on Resources, said Jindal’s communications director, Trey Williams.

The legislation has attracted 97 co-sponsors from 31 states, he said.

Blanco has supported the bill.

A lawsuit would challenge the lease sale as inconsistent with the state’s coastal management policies.

Two other leasing activities also are being questioned — next spring’s sale and a comprehensive leasing schedule for the next five years.

On Wednesday, the governor’s office accused the U.S. Minerals Management Service of failing to consider the impact of hurricanes Katrina and Rita on the coastal landscape in its environmental assessment for the August lease sale.
The accusation sets the stage for the governor to object to the sale. The federal government can overrule her, leaving a lawsuit as the governor’s next recourse.

A spokeswoman for MMS, Blossom Robinson, said the agency would have no comment on the standoff.