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THE DEEPWATER DRILLING MORATORIUM: AN ECONOMIC DISASTER FOR LOUISIANA'S SMALL BUSINESSES

FIELD HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

AUGUST 17, 2010

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COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED ELEVENTH CONGRESS

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THE DEEPWATER DRILLING MORATORIUM: AN ECONOMIC DISASTER FOR LOUISIANA'S SMALL BUSINESSES

TUESDAY, AUGUST 17, 2010

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Lafayette, LA.

The committee met, pursuant to notice, at 10:02 a.m., in Suite 209, Louisiana Immersive Technologies Enterprise (LITE), 537 Cajundome Boulevard, Lafayette, Louisiana, Hon. Mary L. Landrieu (Chair of the committee) presiding.

Present: Senators Landrieu and Vitter.

OPENING STATEMENT OF THE HON. MARY L. LANDRIEU, CHAIR, AND A U.S. SENATOR FROM LOUISIANA

Chair LANDRIEU. If everyone would take their seats, I would like to thank you for coming. I am pleased to be here, and I have been particularly pleased to chair the committee the last year and a half.

I will start with opening statements, as is our custom, and then we will go to our panelists and have five minutes of questions with a second round, if necessary.

I want to begin by saying, first of all, thanks to the LITE Center for having us and also for Mark Miller and Brian Hanks, who helped, with the help of the Chamber and many other organizations, to put out the notice for this hearing. We are very, very grateful.

A hundred-and-twenty-one days ago, the Deepwater Horizon explosion 50 miles off the coast of Louisiana took place. It took the lives of 11 men and sent an estimated five million barrels of oil spewing into the Gulf of Mexico, onto our shores and into our marshes. This accident has threatened our environment, our economy, and our way of life. The Macondo well may be capped, but the crippling economic impacts caused by this disaster and the ensuing moratorium continue to impact our communities in substantial negative ways.

Louisiana's families and businesses are getting hit on two fronts. First, our seafood industry, which accounts for roughly 40 percent of the lower 48's production, is suffering from both actual impacts from the spill and no less damaging the perception that our seafood is no longer safe. Shrimping season opened today. We are going to do everything we can to talk about how fresh and flavorful our Gulf shrimp are.

Secondly, our offshore energy exploration industry and hundreds of businesses that support it have been put in jeopardy by the heavy hand of the Federal Government. Regrettably, the Administration reacted to the Deepwater Horizon tragedy by halting all deepwater exploration activities in the Gulf and canceling the scheduled Western Gulf lease sale which would have occurred this month. While some very limited shallow water drilling is underway in the Gulf, only two permits have been granted since April 20, and all deepwater drilling has been brought to a complete standstill as a result of this ill-conceived action.

The decision to stop virtually all new energy exploration in the Gulf was uninformed, in my view, and it borders on reckless. Today, thousands of Gulf Coast businesses are fighting their way out of this government-imposed economic disaster that not only threatens our jobs and businesses, including the oil and gas field, transportation, fabrication companies, hospitality, and restaurants, but it also threatens our way of life just as surely as the massive oil spill did and perhaps even more.

This Administration's decision to halt drilling activity did more than threaten the livelihoods of rig workers and oil service crews. It substantially reduced general economic activity throughout the Gulf region. We will hear testimony today that will highlight the hardships and challenges that this moratorium has imposed on Gulf Coast small businesses.

While we are here today to discuss the moratorium's economic impact on local and regional economy, we cannot ignore the consequences to our environment and our national security, and I would like to address both just briefly.

The Administration's stated goal of this moratorium is to protect the environment. I believe the action to impose this moratorium has actually increased environmental risk to our oceans and coastal wetlands, and this is why. The United States continues to consume 20 million barrels of oil every day. It did so the day before the Deep Horizon explosion and it is doing so today as we meet here at the LITE Center. Therefore, by stopping all new drilling here at home, offshore drilling in the Gulf, which is virtually shut down, the U.S. will necessarily increase oil imports from other countries with far weaker environmental standards than our own and regulatory regimes that do not function as well as ours. In countries like Niger, Angola, and Venezuela, the record shows that these countries suffer significantly more spills at a much more frequent rate, causing more harm to the world's oceans, not less.

In addition, all of that oil must be tankered into U.S. ports. While tankers are much safer today than they were before the Exxon Valdez spill, the fact is that prior to the Deepwater Horizon, the record will show that spills from tankers were four times more volume and frequency than spills from the drilling rigs themselves.

The negative impacts of the moratorium on national security should also not be overlooked. The U.S. demand for oil will not decline simply because Gulf Coast exploration has been shut down. This means that less oil used by Americans going forward will have been produced by Americans and more will have been produced offshore and imported to our shores. As we all know, some of these imports will invariably come from hostile nations, or nations hostile to U.S. interests. In 2008 alone, Americans transferred nearly $700 billion overseas to pay for oil imports. That number, in addition, will increase as future Gulf Coast production lags due to the long-term effects of this ill-conceived moratorium. This is a blow also to our national security, and one that we could do without.

At a hearing I chaired in Washington, DC, last month through the Small Business Committee, we heard testimony from Louisiana State University Professor Joe Mason who said that under the current moratorium, the Gulf Coast region will lose more than 8,000 jobs, nearly $500 million in wages, over $2.1 billion in economic activity, as well as nearly $100 million in State and local revenue. The moratoria's spillover effect could mean 12,000 jobs and nearly three billion nationwide, including almost $200 million in Federal tax revenues just in the first six months. This is a very serious issue, not only related here in Lafayette Parish and in this region, not only to the State of Louisiana, but to the nation as a whole. According to Dr. Mason, if the moratorium lasts longer, some 25,000 jobs could be in jeopardy, and we will hear from our panelists along those lines today.

Another expert from a research firm, from Dun and Bradstreet, estimated that in Lafayette Parish alone, 780 businesses employing close to 10,500 people could be negatively affected. Businesses here in Lafayette are some of the hardest hit, which is why I chose this site and this venue for this important field hearing today.

Consider what we know. Idling deepwater rigs that were permitted to drill in the Gulf will immediately impact crew members, as many as 46,000 directly. According to the Gulf Economic Survival Team, which is represented here today by Lieutenant Governor Scott Angelle, and, I might add, has been ably represented by him, it says that the long-term job loss could reach 120,000 by 2014.

While Gulf waters may be clouded by oil in some spots, the data that we are accumulating against this moratorium is crystal clear. We cannot close down the Gulf offshore oil and gas sector without devastating economic impacts to our region, increased environmental risk to our ocean, and weakening our national security.

I think it is noteworthy that the Administration was forced to revise its stand in July after a Federal court decision ruled that its action was without solid legal basis. As one of the first Senators to call for a full investigation into the accident and request more effective safeguards against future spills, I share the Administration's goal of a safer oil and gas industry. We all do, but this blanket moratorium will not help us achieve or advance that goal.

The fact is that Louisiana's coastline is a working coast that brings the country an abundance of energy, seafood, and provides navigation assets for commerce for the world. The Mississippi Delta is our home, and there is no one who wants drilling to be safer than we do, no one who wants the water to be cleaner than we do, and no one that wants the seafood to be fresher than those of us that serve it and consume it in our restaurants daily.

I am confident that we can strengthen the safety record of Gulf drilling as we move forward while promoting a balanced and diversified economic future. But we also know that any hope for a prosperous future will be challenged by a prolonged suspension of deepwater drilling.

We will hear today from grocery store owners, restaurants, real estate companies, and local banks and other small businesses that have been directly and negatively impacted by this moratorium. Our Federal Government has a responsibility, particularly in these difficult times, to make sure that these paychecks do not turn into pink slips. In this hearing today, we will build a strong case for lifting this moratorium now, and that is the purpose of this hearing, to hear directly from small businesses that are being adversely affected about this ill-conceived and heavy-handed action by the Federal Government that does not, as I have said already, and it is worth repeating, does not meet our environmental needs, our national security needs, and it most certainly does not meet our economic needs. It fails on every test.

I believe this Congress needs to hear these stories of these small businesses, and I am very proud that my committee will be able to supply this for the record, and this record will stay open for two weeks. We invite all those in attendance to submit any written comments they feel perhaps were not given on the record today.

I also want to take a moment to introduce a person that is here at my request, and I want you all to be polite. Mark Doms is the Chief Economist at the Department of Commerce. Mark, would you stand up just so people can recognize you? He is here to listen to this testimony. He is one of the lead officials that will be making the report to the President in September, and we hope that the report will lead to a lifting of the moratorium.

I am committed, along with members of the Gulf Coast and our delegations, both Republican and Democrat are united across the board, from Texas to Louisiana to Mississippi to Alabama, to get this message out so this moratorium can be lifted.

I was proud to introduce legislation in the Senate this month that will lift the moratorium and build on the work of others, most notably Representative Melancon in the House that has gotten the House on the record, both Democrats and Republicans, against this moratorium.

If the Gulf Coast is going to recover from this nightmare, it will be because of the health and production of coastal Main Street small businesses that support the production of energy that fuels our nation. We cannot continue to support a policy that will close the doors on small businesses in Acadiana, in Louisiana, in Texas, or for that matter, throughout the United States.

So I thank you all very much for being here. I now turn the opening statement over to Senator Vitter, a very strong member of our committee. Thank you, Senator.

[The prepared statement of Senator Landrieu follows:]

SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
Senator Mary L. Landrieu, Chair

Opening Statement for
Field Hearing entitled: *"The Deepwater Drilling Moratorium: A Second Economic Disaster for Louisiana's Small Businesses?"*
August 17, 2010 at 10:00 a.m.
Louisiana Immersive Technologies Enterprise (LITE) Center

(As prepared for delivery)

Some 121 days ago, the Deepwater Horizon explosion took the lives of 11 men and sent an estimated 4.9 million of barrels of oil spewing into the Gulf, onto our shores, and into our marshes. This accident has threatened our environment, our economy, and our way of life. The Macondo well may be capped, but the crippling economic impacts caused by this disaster and ensuing moratorium continue to impact our communities.

Louisiana's families and businesses are getting hit on two fronts. First, our seafood industry, which accounts for roughly 40 percent of the Lower-48's production, is suffering from both actual impacts from the spill, and, no less damaging, the perception that our seafood is not safe to consume. Secondly, our offshore energy exploration industry –and the hundreds of business that support it— have also been put in jeopardy by the heavy hand of the Federal government.

Regrettably, the Administration reacted to the Deepwater Horizon tragedy by halting all deepwater exploration activities in the Gulf and cancelling the scheduled Western Gulf lease sale that would have occurred this month. While some very limited shallow water drilling has been allowed to move forward, only two permits have been granted since April 20, and all deepwater drilling has been brought to a complete standstill as a result of this ill conceived action.

The decision to stop virtually all new energy exploration in the Gulf of Mexico was uninformed and in my view borders on reckless. Today, thousands of Gulf Coast businesses are fighting their way out of this government imposed economic disaster that not only threatens jobs and businesses – including oil and gas field services, transportation, and fabrication companies – but also a way of life, just as surely as the massive oil spill does, and perhaps even more. The Administration's decision to halt drilling activity did more than threaten the livelihoods of thousands of rig workers and oil service crews; it substantially reduced the total amount of economic activity taking place along the Gulf Coast and Texas. We will hear testimony today that highlights some of the hardships that this moratorium has imposed on Gulf Coast small businesses.

While we are here today to discuss the moratorium's economic impact on the local and regional economy, we cannot ignore its consequences to our environment and our national security. In fact, although the Administration's stated goal of the moratorium is to protect the environment, I believe that action to impose the moratorium has actually increased environmental risk to our oceans and coastal wetlands.

The United States of America continues to consume 20 million barrels of oil a day. That is what our economy needs to function. That was the case the day the Deepwater Horizon exploded and now some 4 months later, America still consumes 20 million barrels of oil a day. Therefore by stopping new drilling here at home, the U.S. will necessarily increase its oil imports from other countries with far weaker environmental standards and regulatory regimes, such as Nigeria, Angola and Venezuela. The record shows that these countries suffer significantly more spills at a much, much more frequent rate, causing more harm to the oceans of the world. In addition, that oil must then be tankered into U.S. ports. And while tankers are much safer than they used to be, the fact is that prior to the prior to the Horizon Disaster they still spill roughly four times as much oil as offshore drilling rigs do – a statistic that is likely to increase as we increase the number of tankers coming into our ports.

The negative impacts of the moratorium on national security should also not be overlooked. U.S. demand for oil will not decline simply because Gulf Coast exploration has been shut down. This means that less of the oil used by Americans going forward will have been produced by Americans, and more will have been produced offshore and imported to our shores. As we all know, some of those imports will inevitably come from nations hostile to U.S. interests. In 2008, Americans transferred nearly $700 billion overseas to pay for oil imports, and that number will only increase in the future as Gulf Coast production lags due to the long term effects of the moratorium. This is a blow to our national security that we could do without.

At the last hearing I chaired in Washington D.C. last month, we heard testimony from Louisiana State University professor Joseph Mason who said that under the current moratorium the Gulf Coast region will lose more than 8,000 jobs, nearly $500 million in wages, and over $2.1 billion in economic activity, as well as nearly $100 million it state and local tax revenue. The moratorium's spillover effect could mean 12,000 jobs and nearly $3 billion nationwide (including almost $200 million in Federal tax revenues) in just in the first six months.

According to Dr. Mason, if the moratorium lasts longer, some 25,000 jobs could be lost and under the worst case scenario – a permanent moratorium on all oil and natural gas production in the Gulf of Mexico – nationwide economic losses would exceed $95 billion and more than 400,000 jobs. Another expert, from the research firm Dun & Bradstreet, estimated that in Lafayette Parish alone, 780 businesses employing close to 10,500 people could be negatively affected. Businesses here in Lafayette are some of the hardest hit by the moratorium, which is why I chose to hold this important field hearing here.

Consider what we know today: idling the deepwater rigs that were permitted to drill in the Gulf will immediately impact employment for as many as 46,000 crewmen, deck hands, engineers, welders, ROV operators, caterers, helicopter pilots, and others who operate service vessels. According to the Gulf Economic Survival Team, which has been very effectively led by Louisiana Lt. Gov. Scott Angelle, the long-term job loss in Louisiana could reach 120,000 by 2014. While Gulf waters may be clouded by oil in some spots, the data against the moratorium is crystal clear: we cannot close down the Gulf offshore oil and gas sector without devastating economic impacts to our region.

I think it is noteworthy that the Administration was forced to revise its ban in July after a Federal court decision ruled that the Administration's action was without a solid legal basis. As one of the first Senators to call for a full investigation into the accident and request more effective safeguards against future spills, I share the Administration's goal of a safer oil and gas industry. But this blanket moratorium will not help to advance that goal. The fact is that Louisiana's coastline is a working coast that brings the country an abundance of seafood, energy, and navigation assets. The Mississippi Delta is our home and there is no one who wants drilling to be safer than we do. No one wants the water to be cleaner than we do. No one wants the seafood to be safer than we do. We have balanced these industries safely for more than four decades. And I am confident that we can strengthen that record of safety as we move forward, while promoting a balanced and diversified economic future. But we also know that any hope for a prosperous future will have to involve the prompt resumption of offshore exploration activities. We know full well what a prolonged suspension of deepwater drilling will mean for hundreds of oil service companies and other businesses. It will mean economic disaster not just for the rigs themselves, but for the many grocery stores, restaurants, real estate companies, local banks and other small businesses that comprise Louisiana's economy. Our Federal government has a responsibility, particularly in these difficult times, to make sure that their paychecks will not turn into pink slips. This hearing will build a strong case for lifting the moratorium now!

The purpose of our field hearing today is to hear directly from small businesses that are being adversely affected by this moratorium. Our goal is to get testimony into the record about the ill-conceived and heavy-handed action of the federal government that does not meet our environmental needs, our national security needs, and it most certainly doesn't meet our economic needs. It fails on every test. I believe this Congress needs to hear the stories of these small businesses impacted throughout this nation. I am pleased to note that, at my request, Mark Doms, Chief Economist at the Department of Commerce is here in the audience to hear firsthand today's testimony. He is the lead official on the Administration's economic impact review that will be submitted to my committee at a hearing early next month.

I'm committed, along with Members of the Gulf Coast, to get this message out so that some relief can be put into place. I was also proud to introduce legislation in the Senate this month that would lift the moratorium and build upon the work the Rep. Melancon has already done in the House. If the Gulf Coast is going to recover from this nightmare, it will be because of the health and production of coastal Main Street small businesses that support the production of the energy that fuels our nation. We cannot continue to support a policy that will close the doors of our small businesses: We need to keep Main Street open for business!.

OPENING STATEMENT OF THE HON. DAVID VITTER, A U.S. SENATOR FROM LOUISIANA

Senator VITTER. Thank you. Thank you very much, Mary, and thanks for all your work chairing this committee, particularly on this topic. And as you mentioned, this is really a continuation of a hearing we had in Washington and it is a very, very important discussion.

I also want to thank our hosts here at LITE and ULL and certainly our panelists and everyone for being here.

As Mary said, the bottom line is real simple, and unfortunately, very stark. It is great news that the oil flow has stopped and the ongoing environmental damage is beginning to lessen. But the economic threat continues worse than ever because of this moratorium. And the bottom line is simple. If this moratorium continues even a few more months, we will lose more jobs because of it than we will lose from the oil itself and it will be devastating economically in the midst of the most serious recession since World War II.

Also, as Mary suggested, it is not just the formal moratorium in deepwater. It is really somewhat of a broader discussion. Obviously, the formal moratorium in deepwater is perhaps the most serious and offensive thing we are here talking about. It is very serious. It is costing us a lot of jobs. Those major platforms, major investments are moving to other parts of the world as we speak.

At the same time, there is a de facto moratorium in shallow water, as Mary noted. The Administration says there is no moratorium in shallow or "open for business" or "open to issue" permits. Great. Then you ask the obvious follow-up question, how many new drilling permits have been issued in shallow water since the Deepwater Horizon explosion, and the answer as of three weeks ago was zero, and the answer as of today is two. That means there is a de facto moratorium in shallow. That means because of the complicated, cumbersome, uncertain nature of the new rulebook even in shallow, even shallow is pretty much shut down.

And then there is a third component to the threat, which is the new regulatory environment we are going to be going into which could continue this virtual shutdown even after formal moratoria are lifted. Just yesterday, the Interior Department issued a new policy moving away from the so-called categorical exclusion for Gulf drilling under NEPA that has been in place for decades. What this means is that every new project, every new well, will have to go through many more hoops of environmental review, even though the basic issues are the same throughout the Gulf, which is what led to the so-called categorical exclusion before.

There is already an environmental review for every new project. For the Deepwater Horizon incident, there were five levels of NEPA work. There were nine comprehensive supporting environmental studies. Many of those were inadequate. I am not arguing that. But to add layers upon layers upon layers to that five-plus-nine is not protecting the environment any more. It is making many drilling projects completely unsustainable economically, and I think that is what the environmental left has in mind, quite frankly, pushing this ending of the categorical exclusion. So that is a big threat.

What is at issue, as I said, as Mary said, is an enormous number of jobs and enormous amounts of economic activity. A recent study by IHS Global Insight, for instance, put some concrete, verified numbers on that. Independent oil and gas companies in the Gulf account for about half of the nearly 400,000 jobs, $70 billion of economic value, $20 billion in Federal, State, and local revenue generated by the industry just in 2009.

That same study says that if this policy or something like it continues into the future, by 2012, we could lose hundreds of thousands of jobs in the Gulf. It would also cost government major revenue, over ten years, $147 billion in Federal, State, and local revenue from the Gulf region. So there is a lot at stake for the country and for Louisiana.

Again, I am eager to hear from our witnesses.

In closing, let me say that, again, just like in our Washington, DC, hearing, I am very disappointed that our witnesses don't include any representative of the Obama Administration. In that Washington, DC, hearing, Mary and I both invited the Administration to send a representative to lay out the case and the economic analysis for the moratorium. They sent no one, complete, utter silence.

For today, I again specifically invited the Administration to send a representative as a witness to testify, to lay out the case for the moratorium and their economic analysis. Again, they sent no one as a witness. I am happy Mark is here from the Commerce Department. What I, at least, requested—Mary probably did the same thing—is a witness to testify, to lay out the case, to lay out the reasoning that led to this draconian action, and they sent no witness. We are still waiting to hear the justification. The people of Louisiana are still waiting to hear the justification.

But with that, I very much look forward to hearing from our witnesses. Thank you, Mary.

Chair LANDRIEU. Thank you, Senator Vitter.

We are going to begin with a terrific panel of witnesses that both of us have asked to testify. They represent, I think, a broad swath of business owners in this region. Of course, we could have filled up this room ten times over with businesses that are affected, but we are really very grateful to those of you that have prepared testimony in such a comprehensive way to help us build a Congressional record to get this moratorium lifted.

We would like to begin with Ms. Lori Davis, who is President and co-owner of Rig-Chemical, Inc., a small family-owned company located in Houma. Rig-Chem was founded in 1980 as a specialty chemical manufacturer distributor servicing the oil and gas industry. Lori is an active member of Petroleum Engineers and a member of American Association of Drilling Engineers. Thank you, Ms. Davis, for being here.

Next, we will hear from Charlie Goodson, a very famous Lafayette leader. He has owned Charley G's for now, I think, celebrated, what, 25 years, Charlie? All of us have eaten at this wonderful restaurant. He also has a great deal of experience with other restaurants in the area, from Cafe Vermilion to Hub City Diner, and he is really an outstanding member of this community and we thank you, Charlie, for being here.

Our next witness is Dewitt David, Commercial Sales Manager for Van Eaton and Romero Realtors here in Lafayette. He is very, very active in the community. He is Chairman of the Commercial Real Estate Committee and Realtors Association of Acadiana. We want people to understand this goes well beyond oil field service companies and the negative impacts that are being felt.

Mr. Troy Cloutier serves as Senior Vice President, Regional President for MidSouth Bank. As a Regional President, his area includes Houma, Thibodaux, Morgan City, and Lafayette. Bankers like Mr. Cloutier are in a particularly front-row seat to see what is happening in this region and we are very grateful for you to be here, Mr. Cloutier.

Because Scott Angelle's presence is required in North Louisiana—work never ends for our Lieutenant Governor—we have pushed him up to our first panel, and he will be the last panelist. Lieutenant Governor Scott Angelle from Breaux Bridge has been serving as Lieutenant Governor since May. Prior to that, he served as the Secretary for the Department of Natural Resources that has the jurisdiction over, of course, drilling here in our state. He is extremely knowledgeable and he leads our state's efforts right now to overturn the moratorium with the Gulf Economic Survival Team. Many organizations are a part of that effort, and he has been the leader of that. He is a graduate right here of Lafayette and a former President of St. Martin Parish.

Lori, why don't we start with you? We are going to limit opening statements to five minutes. If you can shorten them to four or five, we will go through each and then have a series of questions for you.

Ms. Davis.

STATEMENT OF LORI DAVIS, OWNER, RIG-CHEM, HOUMA, LA

Ms. DAVIS. First of all, I would like to say thank you to Senator Landrieu and Senator Vitter and for everyone here today.

Today, I would like to paint for you a picture, a picture of a real American dream. During the oil crisis in 1984, when over 50,000 people left the industry——

Chair LANDRIEU. Lori, pull the microphone closer to you, down, if you could. There you go.

Ms. DAVIS. When my father, who had worked for an oil field service company for 21 years, was forced into early retirement at the young age of 50, with no formal education and a $25,000 severance package that was given to him for his 20-plus years of experience, he took a chance, with my mother's support, to live a dream and buy into a small business. What he didn't realize at the time was that it would become a family business and would support his daughters, grandson, niece, and later a daughter-in-law, all as employees of the company now known as Rig-Chem.

Picture today, 26 years later, we are in a very similar place. I, Lori Davis, co-owner of Rig-Chem, and my sister, Penny Molina, have no formal education. We are both close to the age my father was in the early 1980s and now being forced not into early retirement, but possibly out of business, and not by market demand, but by a Federal Government who is taking control of our industry and offering no help but to possibly force us all into unemployment, which is not the severance package I had hoped for and worked so hard to build. All of this because the government feels that one company's mistake should be borne by an entire industry that has operated safely and never had anything like this happen before in the Gulf of Mexico.

We have been a company that was debt free, never had to borrow money to operate, never had to lay anyone off, always had paid a good income to our 17 employees, 14 that live in Louisiana, two in Texas, and one that lives in Maine. We offer our employees 401(k) matching of four percent. We have given profit sharing of 11 percent yearly per employee. And we pay 100 percent employee health benefit, dental, disability, and life insurance, along with two weeks of paid vacation.

We are now facing the worst year in the company's history, with six-figure losses and the reality that we can only hold on until December without having to take drastic measures, such as layoffs and pay cuts. This is hard to believe, but this is what the moratorium has done to Rig-Chem, an American dream.

The only people that will profit from this tragedy will be big business. They are the only ones that can survive during this type of crisis. They have huge resources, established international divisions, bank support, government connections, and deep pockets with no real loyalty to employees, only to stockholders. Once this is all done and the moratorium lifted, they will emerge that much better, and they now have reduced competition due to this arrest in our industry forcing small business closures and access to our best employees.

Small business is usually quick to react to change. That is why we have a niche in most markets. Small business can make things happen because we are the decision makers. We keep markets competitive. We employ and train talent that allow them to focus on their job, not corporate culture.

Unfortunately, small businesses, the moms and pops of the industry, will not survive this moratorium if it is not lifted soon. To add insult to injury, we are receiving daily news of price increases on our core materials with concerns of shortages due to production changes, all of which are being driven by the fear of what will happen as the price of oil continues to rise, our demand for foreign oil increase, and the uncertainty of U.S. oil production and its future.

Another blow to our industry is that our insurance company is not sure what will happen. As a business, we have to be profitable, which means we have to operate on budgets. But with all the uncertainty caused by the moratorium, it makes it very hard to project the budget. We are being asked to review MSA agreements with many clients and now being offered new agreements that have language included which there is no insurance coverage available, at least not to small business.

The next hurdle we will have to endure is directly related to safety. We already work in an environment that adheres to high standards when it comes to safety and performance. We will be asked to comply and should to the new requirements that will be placed as a result of this incident, which will add yet another financial burden.

Our picture is not unique. Most small business owners are in the same situation and may be some without the fortunate reserves to continue to battle through this lockdown and have nowhere to turn but to bankruptcy or foreclosure. We need help. We need to go back to work and be assured that we will have the support and commitment from our industry and legislators to help keep the American dream alive.

This is not what my parents planned for our future, nor is it the one I planned for my son. Thank you very much.

[The prepared statement of Ms. Davis follows:]

August 11, 2010

United States Senate
Committee on Small Business & Entrepreneurship
Lafayette, Louisiana

Prepared by: Lori Davis, President, Rig-Chem, Inc.

Thank you for giving me the opportunity to share my concerns about how Rig-Chem is reacting to the Deepwater Moratorium imposed by the Obama Administration without just cause and addressing the challenges now directly affecting our livelihoods, our people and our state.

Rig-Chem was formed in 1980 as a small business catering to the drilling industry and in 1984 my Father was forced into early retirement by the downturn in the oil and gas industry. With his $25,000 severance package given to him by his employer Schlumberger after 21 years of service he bought stock in Rig-Chem. He and my Mother created an environment and opportunity for his children with hopes that the company would grow and support our family for many years to come. During the years to follow we faced tough times through competition, business challenges as many small family owned companies face. Through hard work and dedication we continued to fight never turning our focus from the industry we supported and that supported us.

Today as co-owner and President of Rig-Chem I am faced with something that we were never prepared to fight, a Moratorium on our industry. I thought this would be easy to share but there is nothing easy about what we're facing and it breaks my heart and makes me angry all at the same time. The emotions run high and people are worried. The majority of my family still work for our company, my sister who is my business partner, my son, daughter in-law, cousin and others that have been with us for many years who are all just like family are feeling the daily pressure of uncertainty.

I had been asked what we were doing different as a result of the moratorium and if we had laid any people off, my answer was "definitely not, not today, we're in hurricane mode" "this is what we plan for during this time of the year" We have learned from past experiences more recently Katrina, Rita, Gustav and Ike that pulling together and being prepared helps us through these difficult times and being a small company today is positively a blessing but this can't last forever!!! In this competitive environment replacing and training people is too hard in an industry driven by experience and safety requirements and letting people go would create such a set back that it makes more sense to enter survival mode and adjust instead.

This was my statement on June 24th today things are quite different. The adjustments we have to make just to move forward are deeply cutting everyday into a quickly diminishing savings. We are once again putting our plans on hold for desperately needed capital improvements to our 22 year old facility. Having now to look to the banks and activating lines of credit to keep a float for the basic expenses which have been a difficult thing to accomplish during these times with banks feeling the pressure and for Rig-Chem having never a need for them until now. I'm proud to say we have always been a "liquid company" never owing and always keeping enough operating capital to weather through tough times but the tough times are only beginning for us.

We have determined that Rig-Chem can maintain without cutting salaries or benefits for our employees, 15 (Louisiana), 2 (Texas), 1 (Maine) who we pay 100% employee health care coverage and make an 11% profit sharing plus 4%, 401K matching contribution yearly. We also provide disability, dental, life insurance and paid vacation. I'm sad to say this can only last until December after this we will be forced to lay people off and cut benefits.

Of our 18 employees 5 are single women and the remaining 13 are responsible for 16 dependants. The effects of this moratorium does not stop here, we have vendors that depend on our purchases they span from Texas, Louisiana, Georgia and as far away as Michigan. Then there's the neighborhood restaurants where we eat lunch, grocery stores, our yard service, janitorial service, gas station, printing company, advertising budget, golf course, marinas and the list goes on who directly derive income from our ability to secure their products and services.

This is only from our business it continues on to our house holds and the house holds of those others that no longer can support the additional expenses we all grow accustom to. It is a domino effect with the Federal Government ultimately taking care of us all. I know there is a false belief that people are still working, and many are supporting the BP operations and clean up effort. These jobs will soon be over and then what will happen? More unemployment more support by our government. We're already hearing about companies that have been preparing for layoffs or moving people to other countries and many will not come back.

Rig-Chem has been forced to look for other opportunities as well some outside this state and others outside this country!! This catastrophic event is a hurricane with no end in sight and is nothing any of us have ever experienced or could possibly have been prepared to handle on any level.

If the moratorium is not ended soon the layoffs will come and it may be for many people those who are close and dear. It may very well mean leaving an industry or leaving this state or maybe even this country. At the same time it also prevents us from helping our fishermen that are in dire need of help. We are a community and an industry that reaches too many in times like these but today we are all in the same boat.

If we're going to change this we have to speak out, share our fears, educate the individuals and help them to understand that we're not the bad guys; we're hard workers, families, business owners and individuals doing what we know that keeps this country moving and doing it safely.

The Obama administration has done absolutely nothing to protect, help or support us as an industry that feeds and powers this nation and we need answers, we deserve answers, we need to return to work.

We're tired of feeling like we're in a constant battle being fought against us by the people chosen to lead us during difficult times….. This is an insult and a direct and personal attack on us individually and on us an entire industry that has for many years proven that it can operate safely. Why should one company's mistakes become the burden for our entire industry…..this is wrong and undeserved.

We all want a safe, healthy environment; we understand the need for alternative energy. It just can't begin by flipping a switch and wiping out an entire industry in the process.

Chair LANDRIEU. Thank you.
[Applause.]
Mr. Goodson.

STATEMENT OF CHARLES GOODSON, OWNER, CHARLEY G'S RESTAURANT, LAFAYETTE, LA

Mr. GOODSON. Senator Landrieu, Senator Vitter, and members of the Senate committee, thank you for allowing me to testify before you today and thank you for holding this hearing. I appreciate the opportunity to tell my story of the possible and very probable effects of the continued deepwater drilling moratorium.

My name is Charlie Goodson, owner with my wife, Del, of Charley G's Restaurant. We have been in the restaurant business for over 30 years and I have operated Charley G's concept for the last 25 years.

The Louisiana restaurant industry is the largest private sector employer in the State, 145,000 people directly and another 70,000 people indirectly. The restaurant industry in Louisiana has had to overcome some significant challenges in the last five years, Hurricanes Katrina and Rita in 2005, Ike and Gustav in 2008, and five years and a national recession later, things are finally looking up for Louisiana restaurants. Along comes the BP oil crisis. The deepwater drilling moratorium will cripple Louisiana's economy and force many restaurants to lay off workers or even close their doors.

Traditionally, summer is a slow season, and combined with another hurricane season, times could not be more desperate. Owning a restaurant in Louisiana has been a roller coaster ride, with some terrific highs and some soul-searching lows. With only what I can describe as a stubborn will to stay in business, we have survived. In the mid-1980s during the oil bust, it was particularly hard for Louisiana restaurants and our city. We pulled out all the stops, any marketing strategy we could think of. For a time, we ran a promotion, lunch for two for the price of a barrel of oil. I served lunch for two for $5.40, definitely not a profitable situation.

With the deepwater drilling moratorium of six months, I believe we are headed back to those struggles, those economic times. As small business owners, we hang on economic decisions made by others that can take us down in a matter of months. We work hard at our business and we budget our sales every year on a day-to-day basis. This year, I budgeted a seven percent net income before taxes. We probably will do somewhere between four and five if we don't have any major problems. This moratorium could be that major problem and put us into negative for the year.

Our management team, my daughters and my wife have started to prepare our company for a major slowdown if there are jobs lost in the oil industry in our area. Our first line of defense would be a hiring freeze, then a salary freeze, then a halt on all leasehold improvement. Our second tier of defense would be to discontinue our lunch service. By discontinuing lunch, we will be able to eliminate six kitchen positions, four service staff positions, and one manager. That represents 25 percent of my entire staff, 11 jobs in one small local restaurant.

Our daughters are now at the age where they will be getting involved in the management of our family business. We hope to pass this healthy and growing business on to them. The moratorium casts big doubts over the future of this small business.

Each and every one of us understands the importance of safe offshore drilling to prevent another spill such as the April 20 explosion of BP's well, not to mention the devastating loss of life. However, reckless shutting down of the industry will result in a tsunami sized wave of economic impact on the other industries in Louisiana.

Thank you, Senator Landrieu, Senator Vitter, for allowing me to speak today.

[The prepared statement of Mr. Goodson follows:]

Written Testimony of
Charles Goodson
Owner, Charley G's Restauarnt
Lafayette, LA
Before the Senate Committee on Small Business & Entrepreneurship
Tuesday August 17, 2010

Senator Landrieu & members of the senate committee, thank you for allowing me to testify before you today and thank you for holding this hearing. I appreciate the opportunity to tell my story about the possible & very probable effects of a continued deepwater drilling moratorium.

My name is Charlie Goodson, owner with my wife Del of Charley G's restaurant. We have been in the restaurant business for over 30 years and have operated the Charley G's concept for the last 25 years.

The Louisiana restaurant industry is the largest private sector employer in the state, which employs 145,000 people directly and another 70,000 indirectly.

The restaurant industry in Louisiana has had to overcome some significant challenges in the last five years with Hurricanes Katrina & Rita in 2005, Ike & Gustav in 2008. Five years and a national recession later, things were finally looking up for Louisiana restaurants, until the BP Oil Crisis. The deepwater drilling moratorium will cripple Louisiana's economy and force many restaurants to lay off workers or close their doors. Traditionally, summer is the slow season and combined with another hurricane season; times could not be more desperate.

Owning a restaurant has been a rollercoaster ride with some terrific highs & some soul searching lows. With only what I can describe as a stubborn will to stay in business, we have survived. In the mid eighty's, during the oil bust, it was a particularly hard time for our restaurant & our city. We pulled out all the stops and any marketing strategy we could think of. For a time we ran a lunch promotion "Lunch for two for the price of a barrel of oil", we were serving lunch for two for $5.40, definitely not a profitable situation.

With a deep water drilling moratorium of six months, I believe we are headed back to those struggling economic times. As small business owners we hang on the economic decisions made by others that can take us down in a matter of months. We work hard at our business & budget our sales to the day every year. This year we budgeted a 7% net income before taxes, we will probably do somewhere between 4-5%, if we don't hit any major problems. If the moratorium remains in effect, it could be our major problem & put us into the negative for the year.

Our management team, my daughters & my wife have started to prepare our company for a major slowdown if jobs are lost in the oil industry in our area. Our first line of defense will be a hiring freeze, salary freeze & halt all lease hold improvements. Our second line of defense is to discontinue lunch. By discontinuing lunch we would have to eliminate 6 kitchen positions, 4 service staff & 1 manager, which represents about 25% of our staff. Eleven jobs for one small local restaurant. Our daughters are now coming to an age that they are getting involved in the management of our family business. We hope to pass on to them a healthy & growing business. The moratorium casts big doubts over the future of our small business.

Each and every one of us understands the importance of safe offshore drilling to prevent another spill such as the April 20 explosion of BP's Macondo well, not to mention the devastating loss of life. However, recklessly shutting down this industry will result in a tsunami-size wave of impact on all other industries in Louisiana.

Thank you again Senator Landrieu & members of the committee for the opportunity to testify before you today.

Chair LANDRIEU. Thank you, Mr. Goodson.
[Applause.]
Mr. David.

STATEMENT OF DEWITT DAVID, COMMERCIAL REAL ESTATE BROKER, VAN EATON AND ROMERO

Mr. DAVID. Well, good morning, and also, thank you for allowing me to be here to share my thoughts on the impact of the moratorium on the local real estate market.

After receiving the invitation to speak with you this morning, I spoke with dozens of real estate agents, investors, developers, and others involved in our real estate community and all agree that this moratorium is having a devastating effect on their business. I would like to share a few quotes with you from some of the individuals that I spoke with.

First, a couple of residential agents. “I had a ready, willing, and able buyer under contract to purchase. Given the moratorium and rumblings at his job about cutbacks, he walked from the contract.” Another said, “My phone quite literally quit ringing when the moratorium was announced. Three clients who were on the verge of buying decided to sit tight. They were concerned about whether or not they would have jobs in a year, and if they did, whether the job would be based in Acadiana.”

The vast majority of residential sales are reported to our local MLS and there are some disturbing numbers which may illustrate the impact that the moratorium has had on our residential market. If you compare the residential pending sales, which some people call “under contracts,” for the period June 1 to August 13 of this year, which I call the basic moratorium period, with last year, we find, I think, some startling numbers.

Last year during that period, 565 families made a decision to buy a residential property. Through that same period this year, what I call the moratorium period, that 565 dropped to 437. That is a 22 percent drop in the number of people who made a decision to buy a residential property, and there is no doubt since the moratorium went into effect, buyers are taking a waiting and see attitude before they purchase a home. What is interesting, this is in spite of the fact that interest rates are near all-time lows and home prices in the past several months have gotten to be pretty competitive. And, of course, our local commercial market is also showing some signs of slowdown.

Since much of our commercial market is not reported to a central database, it is difficult sometimes to quantify exactly what effect the moratorium is having on the market. But I spoke to dozens of commercial agents in our area and all agree that since the moratorium has been in effect, we have seen a drastic drop in our business and it also seems that it is close to being at a standstill.

Now, our industry, the commercial real estate market, is heavily dependent on the oil industry. These folks lease and buy hundreds and hundreds of industrial facilities from here to New Iberia to Houma and they occupy thousands and thousands of square feet of our office space. I would like to share with you a few comments from a couple of our commercial brokers.

"I was working with an investor from a major city to buy a very large apartment complex here in Lafayette. He states, 'No go until the moratorium is over and the economy back in check.'" Another said, "I lost a sale to an oil field service company for a tract of land. The contract was signed. They were in their due diligence period. Then the moratorium was announced. They canceled the agreement and said because of the moratorium, they no longer had a need to expand."

A study that was just completed by the Louisiana Realtors Association projects that the Deepwater Horizon catastrophe will result in an initial loss of commission income to South Louisiana Realtors of over $6 million from May to April of next year. It also cautions that the effects could possibly spread over many years and impact our real estate market for years to come. And note this includes only the projected lost commission income for the spill. This does not include what we assume is surely coming, a loss of revenue from the moratorium.

So both in the areas in our local market of residential and commercial, the phones just aren't ringing and we hear clients saying they are cautious, they are afraid, they are uncertain. The perception is that the worst is yet to come, and there are very few people out there in a position to make a commitment on a long-term real estate deal not knowing what our economy will bring.

Many of us here remember the oil bust in the mid-1980s. The reality was, we were all in the oil business, but we didn't realize it until that bust hit us right in the face. Home builders, electricians, plumbers, grocers, beauticians, restaurant owners, dance instructors, you name it, we all depended then and we still do on the jobs that are generated by this great industry.

We have all heard the numbers, that for every one job on a deepwater drilling rig there are eight conciliary jobs. But I contend there is a much greater impact than those numbers indicate. The rig workers, their eight supporting workers and the companies they work for are now carefully analyzing their spending habits.

The bottom line is this. The moratorium is not just on the drilling and the jobs supporting that drilling. The moratorium is a strain on everyone in our area. It is critical to our economy that the ban on deepwater drilling be lifted immediately so the air of uncertainty and fear that is hanging over our heads be removed.

Senators, I urge you to bring back to Washington our message loud and clear. Lift the moratorium. Thank you.

[The prepared statement of Mr. David follows:]

The Deepwater Drilling Moratorium: An Economic Disaster for Louisiana's Small Businesses Tuesday, August 17, 2010

Testimony From:
Dewitt "Zeen" David
Commercial Sales Manager, Van Eaton & Romero, Realtors

Good morning! Thank you for this opportunity to share my thoughts on the economic impact of the Deepwater Drilling Moratorium on the local real estate market.

After receiving the invitation to speak to you this morning, I spoke with several dozen real estate agents, investors, developers, and other individuals in the real estate community. All themoratorium is having a devastating effect on their business. I would like to share a few quotes from some of the individuals I spoke with. First, from several residential agents.

(Read several comments)

The vast majority of residential sales are handled through our local MLS and there are some disturbing numbers which may reflect the impact of the moratorium on the residential market in Lafayette Parish. Comparing residential "Pending Sales" (often referred to as "Under Contract Sales") for the period Jun 1, 2010 through Aug 13, 2010, (*basically, the time the moratorium has been in effect*), with that time period in 2009 shows:

# of Pending Residential Sales 6/1/2009 thru 8/13/2009	565
# of Pending Residential Sales 6/1/2010 thru 8/13/2010	437
Total Drop	128 (22.6%)

There is no doubt, since the moratorium went into effect, buyers have taken a "wait & see" attitude before purchasing a home. And this in spite of the fact that interest rates are near all-time lows and home prices in the past several months have been very competitive.

Our local commercial market is also showing signs of a slow down. Since much of the commercial real estate activity is not reported to a central database, it is difficult to quantify how the moratorium has affected local commercial real estate activity. But discussions I've had with commercial agents in our area all indicate the activity has slowed drastically since the moratorium has been in effect and is almost at a standstill. I'd like to share some comments from a few of our commercial agents and a local investor.

(Read several comments)

A study just completed on behalf of the Louisiana Realtors association projects the Deepwater Horizon catastrophe will result in an initial loss of commission income for Louisiana Realtors of over $6,000,000 for the period May 2010 – April 2011. The study also cautions that the effects could possibly be spread over multiple years and impact the real estate market for "years to come".

In both areas of the local real estate market, residential and commercial, the phones just aren't ringing like they used to. Clients use terms like:

Afraid - Cautious - Concerned - Uncertain

The perception is that the worst is yet to come and few clients are in a position to commit to long-term real estate deals not knowing what the future of our economy will bring. We hear fears of deepwater rigs moving to foreign waters and rig workers and support personnel either following the rigs or losing their jobs; families having to relocate and putting their home on the market during "soft" times; tenants not wanting to sign any long-term leases. Many of us here remember the oil bust in the mid 1980's when the fears mentioned above became a reality. The reality was we all here were in the "oil business" and didn't realize it until the big bust hit us squarely in the face. Home builders, electricians, plumbers, grocers, beauticians, restaurant owners, dance instructors - you name it - we all depended then, and still do, on the jobs and revenue generated by this great industry.

We've all heard the numbers that for every one job on a deepwater drilling rig there are 8 ancillary jobs. But I contend that there is a much greater impact than those numbers reflect. The rig workers and their eight supporting workers are now carefully watching their spending and it is having an effect on everyone.

Bottom line is this! The moratorium is not just on the drilling and the ancillary jobs supporting that drilling – the moratorium is a strain on everyone in this area. It is critical to our local economy that the ban on deepwater drilling be lifted immediately so the air of uncertainty and fear that is hanging over all of our heads be removed.

APPENDIX A

Residential Real Estate Agents

I had a ready, willing, and able buyer under contract to purchase. Due to the moratorium and rumblings at his job about cut backs, he 'walked' from the contract.

My phone quite literally quit ringing when the moratorium was announced. Three clients who were on the verge of buying decided to sit tight; they were concerned about whether or not they would have jobs in a year, and if they did, whether or not they would be based in Acadiana.

People are just plain scared! I lost 2 clients recently because of the present situation - both oil related. Both clients stopped dead in their tracks because of the uncertain future in the oil industry in Louisiana.

I'm in a situation right now where a couple is looking to purchase a $400,000 home. They are well qualified. The husband is an engineer employed by a firm that services oil companies. If the moratorium continues he has been told everyone will have to take pay cuts, therefore affecting his debt to income ratio. Even though he and his wife have been looking for a while and finally found the home they want, they may not move forward because of the moratorium and uncertain future.

Commercial Real Estate Agents

Just prior to the moratorium, I had negotiated a $1,000,000+ contract on a tract of land for a future residential development. A few days after the moratorium the developer/builder received a call from his banker suggesting that he rethink his decision to proceed in light of the potential effects of the moratorium. The developer/builder eventually contacted me and said phone inquiries on his new homes had dropped from 14-15 a day prior to the moratorium to only 1 or 2 per day since the moratorium. He reluctantly withdrew from the contract.

I did in fact lose a sale due to the moratorium. One of my clients was looking at purchasing property to build a "boutique" type hotel but due to his concern with the negative effects (of the moratorium) on Lafayette's economy and the oil service businesses, he has put his plans on hold indefinitely.

Was working with an investor from (major U.S. city) to buy a very large apartment complex in Lafayette. He states “no go” until the moratorium is over and economy back in check.

I have seen a dramatic downturn in decision making by oil service and non-oil related business as to going forward with new lease space or acquisition of land for company facilities. The most common thing I hear is "let's wait and see how things shake out with the oil spill & drilling moratorium". Was working on a 7,000 s/f commercial lease and proposed tenant has pulled back even with generous landlord incentives.

I lost a sale to an oil field service company for a tract of land near Youngsville. The contract was signed and they were in their due diligence period when the moratorium was announced. They cancelled the agreement and said that because of the moratorium they no longer had a need to expand.

r

Investor/Developer

Over the past decade my partners and I have invested no less than $3,000,000 per year in real estate in this area. In 2009 through early 2010 we invested close to $20,000,000. Since the moratorium we had four build-to-suit projects cancelled. The prospective tenants were all multi-million dollar companies. We lost our option monies and all our pre-development costs. At this time we are no longer looking at this area for investment.

I was working with two groups of doctors on plans to construct a new office building for each group. After the moratorium both backed off.

Chair LANDRIEU. Thank you.

[Applause.]

Thank you, Mr. David.

Mr. Cloutier.

STATEMENT OF TROY CLOUTIER, REGIONAL PRESIDENT, MIDSOUTH BANK

Mr. CLOUTIER. Good morning, Senators Vitter and Landrieu. Thank you for this opportunity, and also, Mark from the Commerce Department, thank you for taking time out of your schedule to come here.

My name is Troy Cloutier. I have worked at MidSouth Bank for over 18 years. MidSouth Bank is a $950 million bank headquartered in Lafayette, Louisiana. MidSouth is one of the biggest users of SBA programs in the State, so we thank you for your work with SBA that you have done over the past few months.

MidSouth is an oil and gas bank with numerous lines of credit extended to companies to pay their daily expenses during payroll, insurance, payables, and other expenses that arise during a business cycle. We also do boat loans, equipment loans. Currently, 32 percent of our portfolio is in the oil and gas industry or commercial and industrial, so we are the people who lend to the oil and gas people.

Right now, we have $80 million in loans in the South Region, which consists of Terrebonne, Lafourche, and St. Mary Parishes. Over the past few months, we have seen an increase in companies using their lines of credit for oil field cleanup. We have seen boats that we couldn't get to work go to work because of the cleanup. Because of these issues, we have increased in loans $11 million since March of this year. So you can see that oil companies are currently—the service companies are currently working, or have been working because of the clean-up.

Going forward, though, we see businesses being very nervous about what is going to happen in the oil industry. Because of the moratorium on deepwater drilling, some of the big companies are going overseas because they have the financial resources to do so. The smaller companies, however, like the seven that I put in business over the past five years with SBA loans, are very fearful that work will dry up when bigger companies move overseas and hire other providers. They are holding on to their money and making sure that they do not buy any new equipment or have any additional expenses that might compound their problem once a slowdown occurs.

During the moratorium, they have already—before the moratorium, they have already scaled back where they could just because of the slowdown in the economy today. They have laid off people and do not plan on hiring them back anytime soon. I have talked to a machine shop owner the other day and he told me that him and his wife will work the machine for the next six months and not hire any new people. He has let five people go since the beginning of the year and does not have any plans to hire any of them back.

Because businesses are trying to prepare for new regulations when the moratorium is lifted, some of the business owners fear that the cost of doing business in the Gulf will skyrocket, and not just the deepwater operations. So they are holding on to their cash now. They are worried about the profits of their business going forward, so they are taking care of their families first. Many of them just recovered from Hurricanes—not Hurricane Katrina, but Gustav and Ike, which hit the area very hard, and now are faced with this. We hear so much about Hurricane Katrina, but we do not hear anything about the other hurricanes that devastated the areas below New Orleans.

I have talked to oil field executives the other day who pointed out the irony of the fact that businesses moved to the Gulf the last few years because of the political landscape here. Now they are moving out of the Gulf because of the political landscape here.

Those who will be hurt the most are the employees, who are already leveraged as much as they can be financially. Many of the employees were working 50 to 60 hours a week a year ago and now they are being laid off today. They have seen a decrease in salaries just because of the overtime not there, and today, they face the layoff ahead of them. They cannot get home loans today because of the regulations. I personally just moved into a house and the mortgage process was a nightmare, and I have great credit. So that is why they are not buying as many houses.

Consumers have a lot of credit card debt. Most consumers today have a very high debt-to-income ratio, so it is very hard for them to get credit today. It is easy to say that they should have done a better job managing their finances, but the fact of the matter is, they live paycheck to paycheck and they do not have any money in reserve to pay for being laid off in the next 30 to 90 days. The only way they can make it is to get credit cards from the big banks.

Many of them do not have the skill to go get another job. They come out of college and they see that they can make $60,000 to $70,000 a year in the oil field and that is what they go to do. This is what they want to do, and we ask you to put them back to work.

On behalf of community banks, I would like to urge both of you to get with BP, ask them to put their money, their $20 billion in local community banks because that will be the banks that will help the communities and the businesses go forward. So I ask you to get with them to put the money in community banks. And I also urge you to continue your work on the jobs bill, Bill 5297. I know you all have worked very hard on that. That is key for community banks to start lending again to companies like Lori Davis's and others out there. The community banks will be the ones to come in and help these companies in the future.

So thank you for what you all have done today and I will answer any questions.

[The prepared statement of Mr. Cloutier follows:]

Senate Hearing

Good morning. My name is Troy Cloutier, and I have worked for MidSouth Bank for more than 18 years. I am the Regional President over the South Region, which includes St. Mary, Terrebonne, and Lafourche parishes — a total population of about 250,000. I have lived in Houma for 7 years, I am on the Executive Committee of the Chamber, a member of South Central Industrial Association and a member of Independent Community Bankers Political Action Committee. MidSouth Bank is a $950 million dollar bank headquartered in Lafayette, La. MidSouth Bank is one of the biggest users of SBA programs in the state.

MidSouth Bank is an oil and gas bank, with numerous lines of credit extended to companies to pay their daily expenses, including payroll, insurance, payables, and other expenses that arise during a business cycle. We also do boat loans and equipment loans, and currently 32 percent of our loan portfolio is in commercial and industrial loans. Right now we have more than $80 million in loans in the South Region.

Over the past few months we have seen an increase in companies using their lines of credit for oilfield cleanup work. We have seen all of the boats that we financed go to work to assist with the cleanup of the oil spill. Because of these we have seen loans increase by over $11million since March of this year.We do not have much financed with the fishing industry.

Going forward we see businesses being very nervous about what is going to happen in the oil industry. Because of the moratorium on deepwater drilling, some of the big companies are planning to go oversees, because they have the financial resources to do so. The smaller companies, however, like the 7 that I have put in business over the past 5 years with SBA loans, are very fearful their work will dry up once bigger companies move overseas and hire other providers. They are holding on to their money and making sure that they do not buy any new equipment or have any additional expenses that might compound their problems once work slows down. Before the moratorium, they had already scaled back where they could just because of the slowdown in the economy. They have laid off people and do not plan on hiring them back anytime soon. I was talking to a machine shop owner the other day and he told me he will work the machine and not hire anyone for at least the next 6 months. He had 5 other workers at the beginning of the year and has cut them all. His business will make it, he says, but it may just be him and his wife running it.

Businesses are also trying to prepare for the new regulations once the moratorium is lifted. Some of the business owners fear the cost of doing business in the Gulf will skyrocket, and not just the deepwater operations. So they are holding on to their cash now. They are worried about the profit of their business going forward, so they are taking care of their families first. Many of them just recovered from the hurricanes — not Katrina but Gustav and Ike, which hit this area very hard and now they are faced with this. We hear so much about Katrina, but we do not hear anything about the other hurricanes that devastated the area below New Orleans.

I was talking to an oilfield executive the other day who pointed out the irony of the fact that businesses moved to the Gulf in the last few years because the political landscape in our country was so stable. Now those same businesses are moving oversees because of the political landscape in the country.

Those who will be most hurt by this are the employees, who are already as leveraged as much as they can be. Many of the employees were working 50-60 hours a week a few years ago and living off of the overtime. They have seen a decrease in salary just because they are not getting the overtime pay. They cannot get a home loan today because of all of the regulations. I personally just moved into a new house, and the mortgage process was a nightmare, and I have great credit. Consumers have a lot of credit card debt. Most consumers today have a very high debt to income because of all of the credit cards they have. It's easy to say they should have done a better job managing their finances, but the fact of the matter is that they are living paycheck to paycheck and they do not have any money in reserve to be out of work for 30-90 days or longer. The only way they can make it is to get more credit cards from one of those big banks. It is also getting much harder for a bank to allow their customers to overdraw their account, which some of them live on. Many of them do not have the skill set to do anything else. They graduated from high school and were attracted to offshore jobs that immediately allowed them to make $60,000-70,000.

It's what they do, and their work benefits all of us. They just want to get back to work.

And community bankers want to help them do that.

On behalf of the Independent Community Bankers of America, particularly its representation of banks in the states of Louisiana, Mississippi, Alabama and Florida, I would like to appeal to this committee to consider a requirement that some of the money BP has put into trusts be deposited into community banks in these affected states.

The ICBA would also like to express its hope that bank regulators understand the impact this crisis is having on banks in these states and their customers.

And finally, on behalf of MidSouth Bank and other ICBA member banks I would like to urge support for Sen. Mary Landrieu's Small Business Lending Fund. This powerful tool will ensure small businesses get access to the credit they need to create the kind of jobs that will drive our economy and get all of us back to work.

Chair LANDRIEU. Thank you very much.

I have already sent a letter to the Administration and BP asking them to put those deposits into local banks along the Gulf Coast, which would make a lot of sense, and I hope that that is exactly what will happen.

Now we will hear from Scott Angelle.

STATEMENT OF HON. SCOTT ANGELLE, LIEUTENANT GOVERNOR, STATE OF LOUISIANA

Mr. ANGELLE. Good morning, Madam Chairlady and Ranking Member Vitter. I bring greetings to you from Governor Bobby Jindal and the men and women of Louisiana who have been working for the past 120 days to restore our way of life. I thank you for bringing this hearing of the Senate Committee on Small Business to Louisiana, which proudly holds America's most prominent oil and gas economy.

Since oral testimony is limited to five minutes, I will offer brief comments and introduce a few faces of the moratorium to make certain the public record reflects that this policy is a burden imposed mostly on the middle class of America.

I thank each of you for your public service and your continued interest in a strong, safe domestic oil and gas industry. I say strong and safe because that is what we have been about and are about in the Gulf of Mexico, with a proven track record of nearly 50,000 wells drilled over the last 60 years. The issuance of a six-month moratorium on deepwater drilling is an overreach, not necessary, and has been deemed arbitrary and capricious by the Federal courts.

Not only did five of seven of Secretary Salazar's experts chosen to review his safety study publicly oppose the moratorium, saying, quote, "it will not measurably reduce risk further and it will have a lasting impact on the nation's economy," but in addition, at least five independently conducted studies, referenced in my written comments previously submitted, forecast a huge negative impact on the small businesses of America. I am not speaking of the stockholders of BP, Conoco, Shell, Exxon, or Chevron. I am speaking of the middle-class American men and women who work on the drilling rigs, the ones who put on their hardhats and steeltoed boots, kiss their families goodbye for weeks at a time, and do the tough work of exploring the energy to fuel America.

But that is not all. The companies that employ welders, fabricators, diesel mechanics, pipefitters, boat captains, and forklift operators are seeing a decrease in business. And that is not all. The companies that employ hotel workers, retail clerks, auto mechanics, restaurant workers, and caterers are impacted. And that is not all. The banks, auto dealers, and real estate folks are feeling the pressure, I might add, probably the three industries that have most been discussed on Capitol Hill, the banks, auto dealers, and real estate folks, and we are at a time having a disconnected policy in South Louisiana relative to those industries.

I have said before, this moratorium is not about big oil. It is rather about the Calais, the Sheramies, Depueys, the Roberts, the Boudreauxes, and the Thibodauxes [ph.], just a few of the South Louisiana middle-class families that have taken the risk, borrowed the money, created the jobs, paid the taxes, found the energy, built our economy, and have done nothing wrong, and yet find themselves in the bullseye of this poor public policy to shutdown deepwater drilling.

[Applause.]

But don't just take my word for it. Todd Citron of Hub City Ford reports a 20 percent drop in sales of both new and used cars since the moratorium. Flo Meadows, a Lafayette realtor, reports that she has had more commercial contracts dropped before closing in the last five months than in the the last five years combined. Ken Veron, who employs 38 workers in his family-owned Cafe Vermilionville restaurant, reports his holiday event schedule is normally booked at this time by oil field service companies with deposits in hand. Today, he does not have a single oil field service company booked for a holiday event, and two other energy companies have recently canceled events.

Layoffs are happening all around us for all the wrong reasons. This comes at a time when our nation has invested nearly $800 billion in stimulus funding to boost the economy and create jobs, yet we still have an unacceptable unemployment rate. There is not one shred of evidence of systemic failure for operations in the Gulf of Mexico, yet we are being treated with a one-size-fits-all approach. We certainly have the wherewithal in America to immediately institute enhanced safety practices if we are serious and have a sense of urgency about a strong and safe domestic oil and gas industry.

So the rest of the country can be clear that there are real people impacted by this moratorium, allow me quickly to introduce you to a few great Americans, to Dustin and Gwen Guy [ph.], a family from Broussard. Neither are employed in the oil and gas business, but because Dustin's employer, a flooring contractor, has experienced a slowdown in work from oil and gas companies, they have been forced to cancel their home building plans, an example of a cascading impact on the economy.

Bayou Country Harley-Davidson—since the moratorium, owner Mike Bruno's stores in Slidell and Houma have seen a 38 percent decrease in sales revenue and a reduction in net operating profit in excess of $400,000. He has eliminated all advertising, reduced inventory, and laid off 14 of the employees pictured here.

From Cut Off, Kirk and Sheila Rouse and their six children, ages six to 17, Kirk is the owner/operator/truck driver and terminal manager hauling offshore equipment and earning commission for the loads he transports. The dramatic increase in work since the moratorium has the Rouse family unsure of how they will send their oldest son, a heart patient, to college this fall because now they can't afford to pay health insurance premiums.

Dwayne Webstock invested $3 million in a Port Fourchon multiservice dock facility that opened less than three months before the moratorium. Since then, he has laid off 30 of his employees and made other cutbacks, and he has attempted to find work not related to the oil and gas industry just to keep his doors open.

Again, thank you Senators Landrieu and Vitter for having me here today, for your extreme leadership and your courage in continuing to fight, and with your help, Louisiana will not give up on this fight, not today, not tomorrow, not ever. Thank you very much.

[Applause.]

[The prepared statement of Mr. Angelle follows:]

**THE DEEPWATER DRILLING MORATORIUM:
AN ECONOMIC DISASTER FOR LOUISIANA'S SMALL BUSINESSES**

by

**Scott Angelle
Lt. Governor
State of Louisiana**

Good morning Chairwoman Landrieu, Ranking Member Vitter, and the distinguished members of the Senate Committee on Small Business and Entrepreneurship. I thank you for your public service and your willingness to serve the nation in these challenging times. I appreciate the opportunity to testify this morning on a subject matter of which I strongly believe in – the role of a viable domestic energy industry in supporting our nation's economy. Thank you for your continued efforts as we all work together to meet one of the nation's biggest challenges of this generation of Americans -- the balance of what I call the three E's- the energy, environment, and the economy.

I bring greetings to you from Governor Bobby Jindal and the men and women of Louisiana who have been working, day in and day out, for 120 days to restore our way of while never forgetting the families of the 11 men who lost their lives in the Deepwater Horizon tragedy. Let us all remember keep to keep them in our prayers.

As I address you today, another tragedy continues to unfold in Louisiana and our neighboring states on the Gulf Coast as the days and weeks and months pass under the economic crush of a ban on drilling for oil and natural gas in the deep waters of the Gulf. This moratorium does not threaten the loss of life, but the loss of livelihood for the workers who depend on that industry to feed their families, and for the companies that employ them.

In Louisiana, we have a long and distinguished history of fueling America. This 18th great state of the union is the epicenter for crude oil and natural gas exploration, production, distribution, refining, and processing for the nation, as well as for imports of foreign crude oil and Liquefied Natural Gas.

We rank

- 1st in OCS crude oil production
- 1st in OCS natural gas production
- 1st in OCS revenue generated for the federal government
- 1st in mineral revenues from any source to the federal government
- 1st in foreign import oil volume
- 3rd in crude oil proved reserves
- 3rd in total energy from all sources
- 1st in natural gas processing capacity
- 2nd in petroleum refining capacity
- 2nd in primary petrochemical production

When it comes to contributing to America's energy security, there is no more important piece of real estate in all of America than Louisiana.

Because of our willingness to host the activities that many states simply refuse to do, every American is tied to Louisiana and the Gulf of Mexico through the gas pump. About a third of our nation's domestic production comes from the Gulf. And nearly 90% of that Gulf oil comes from deepwater wells.

The July 27 Dun & Bradstreet impact study on the moratorium noted that more than 2,800 small businesses in the state of Louisiana, and more than 35,000 workers are directly involved in the oil and gas exploration industry. For the Gulf Coast, those figures rise to more than 16,000 companies and 153,000 employees.

Those workers and companies are in turn the customers and income sources for other companies, companies that will also feel the blow of lost income due to this moratorium.

A range of studies on the job impact of this moratorium have been completed, and even the lowest estimates indicate a devastating impact to our workers.

- Louisiana's Economic Development agency estimates that 10,000 jobs in Louisiana alone could be lost in a six month moratorium, 20,000 in a year to a year and a half.

- Dr. Joseph Mason with LSU's E.J. Ourso School of Business estimates that the six-month moratorium would cost Gulf States more than 8,000 jobs, and cost the nation more than 12,000 jobs.

- LSU Economist Jim Richardson's study estimates more than 17,000 Louisiana jobs could be lost in the first six months.

- The LSU Center for Energy Studies estimates that up to 24,000 Louisiana jobs could be lost in the first six months of the moratorium, increasing at an average of almost 400 per month after that.

- The Louisiana Mid-Continent Oil and Gas Association estimates job losses could be 30,000 or more in the first six months.

These are not just the men and women who work the drilling rigs – but also the service industries: the welders, the fabricators, the diesel mechanics, the pipefitters, the boat captains, the forklift operators, the dock workers, the service technicians, the plumbers, the sandblasters, the warehousemen, the carpenters, the janitors, the crane operators, the pump mechanics and the electricians. The effects do not end there. Also affected are also the hotel workers, the retail clerks, the auto mechanics, the restaurant workers, the caterers and the waitresses. The job losses and reduced spending of workers and companies will affect banks and real estate. The chain reaction will go on to impact local government revenues, rolling on to school teachers, police officers and other vital services, as recently noted by Lafourche Parish President Charlotte Randolph. Randolph said in a June 16 Tri-Parish Times article that, "Nine of the top 10 taxpayers in Lafourche Parish are businesses involved in the oil and gas industry. A substantial economic downturn for those companies means fewer jobs and more layoffs, and in turn, leads to less sales tax collections, which means less funding for schools, law enforcement and so on."

It has already begun, as we can see in an August 9 article in USA Today on the hard choices companies have to make.

- The NREC Power Systems engine repair company in Houma has already laid off 10 of its 80 workers because boat owners serving the energy industry have delayed service.
- The Harbor Offshore Marine in Galveston, whose boats service offshore rigs, saw the number of contracts it could bid on in July fall from the usual 12, all the way down to one.
- The Industrial Material Company in Galveston, which supplies goods to industrial companies, has seen its revenue from energy sector clients fall by 17 percent since June.
- The Harvey Gulf International Marine Co. of New Orleans recently cut the pay of its 350 workers by 10 percent and sent three of its 17 supply boats to Mexico and Nigeria.
- Trinity Yachts of New Orleans, which makes supply vessels for the industry, has scaled back plans to add 200 workers to its 1,000-member workforce and lost three boat orders – worth $45 million apiece.

Workers inside and outside the energy industry will bear the brunt of the shutdown and no one has indicated who will pay for this cascading impact. This six-month moratorium, which the United States federal court system has called arbitrary and capricious, will cripple much of the middle class of Louisiana. Simply put, this misdirected public policy, while perhaps well-intended, results in a Moratorium on Middle-class Americans. While it may be difficult for the federal government to understand, the local governments most impacted by this oil spill and the Louisiana

Seafood Research and Promotion Board have all indicated they are opposed to this moratorium. In this unique slice of America, we have demonstrated we can fuel America and at the same time provide the nation with over 20 percent of the nation's commercial fisheries catch. We understand it can not be business as usual, but this six month moratorium is an overreach.

This is in a time when our American families are already struggling to make ends meet, a time when our country can not afford to lose jobs.

We cannot threaten more jobs when this nation has already invested nearly $800 billion in stimulus funding to boost the economy and create jobs; when we still have an unemployment rate of nearly 10 percent.

The longer the shutdown goes on, the more deepwater rigs will be increasingly committed to other parts of the world, robbing the American workers who have worked so hard to gain the skills to do the tough work of fueling America.

If those rigs leave our waters, we can't be sure when or if they would return, even after the moratorium is finally lifted. The Baker Hughes services company out of Houston has already announced it has moved 300 of its 2100 Gulf area employees overseas, along with a quarter of its equipment assets.

Even if the drilling ban lasts only six months, it will mean an estimated:

- $2.7 billion loss to the U.S. economy
- $707 million in lost wages
- $100 million in lost state and local taxes that pay for roads, schools and health care
- $219 million in lost federal revenue

The impact that begins on the Gulf Coast will spread the longer the moratorium continues. Shutting down new drilling threatens our ability to sustain the production we need to fuel this nation. We have seen how quickly a drop in production can hurt our economy. Looking back to 2005, Louisiana was devastated by Hurricanes Katrina and Rita – storms that interrupted production from the Gulf of Mexico. In the week after Katrina, the national average of the price of a gallon of gasoline spiked 46 cents.

A moratorium does not strike as swiftly as a hurricane, but the longer drilling is halted, the more domestic production will suffer as existing wells play out with no new wells to replace them. More than 360 new wells were drilled in the Gulf OCS in 2009 and all of the resulting production helped to America rely less on foreign imports to fuel our nation. The six-month halt we already face could mean an estimated 4 percent drop in 2011 production – and that production could lag for years.

And while I have huge concerns about a six month moratorium I am concerned about what also may be longer moratorium.

Morgan Stanley issued a report on June 1, 2010, wherein they have estimated a 60% chance that the moratorium will last at least a year to 18 months, a 35% chance that it could last 4 years, and only a 5% chance that deepwater drilling will resume by next February.

These kinds of reports, based on the concern for the administration's ability to promulgate regulations in a timely fashion, are drying up investment in the Gulf industries and increasing economic troubles for our people, our businesses and our government.

Even in shallow waters, where there is no declared moratorium – drilling has come to a near halt, even as the industry has reached out to the regulator to find a way forward. In 2009, before the moratorium, the lowest new permit total for a single month in OCS shallow waters was eight. The number of new permits approved in the last three months combined (5) doesn't even match that low-water mark.

Again, a substantial interruption of production will mean a greater reliance on foreign sources of energy, and greater exposure to increases in price. To put the effects into perspective, a 50 cent increase in the price of gasoline shocks the United States economy and costs the American consumers around 1.4 billion dollars a week.

A look over the past several decades is very revealing. We have had six recessions in this country since 1972. Prior to each one of them, the price of oil saw a sustained increase over the previous year. A major increase in fuel prices has almost always been an indicator or a driver of a major recession or downturn in our economy.

Oil reached $147 a barrel in July 2008, more than double what it had been the previous July. By October 2008, our national economy had imploded. Our car manufacturers were crippled, along with our banks and our housing markets. All which were impacted by energy prices that shocked our markets.

Offshore drilling has existed in the Gulf waters for almost 60 years, and deepwater drilling began in the 1970s. Nearly 50,000 wells have been drilled in the Gulf, 3,200 of those in deepwater, and never before have we seen this kind of accident.

Five of the seven experts chosen to review the Department of Interior safety study that led to the moratorium publicly opposed the use of their name and involvement to justify a blanket moratorium. In their public letter of opposition, on page two, was the statement, "A blanket moratorium is not the answer. It will not measurably reduce risk further and it will have a lasting impact on the nation's economy which may be greater than that of the oil spill."

When it comes to drilling in the Gulf of Mexico, we believe that we can inspect, detect and correct at the same time. We believe that taking a time out to huddle is appropriate. This can be done. U.S. Department of the Interior Secretary Ken Salazar said recently that shallow water drilling operations are implementing new standards and simultaneously continuing to operate. We can make that same standard apply to deepwater drilling.

While the necessary work of finding the fuel this nation needs is going on with a renewed focus on safety; industry and government can work together to meet the standards laid out in the federal safety offshore report, dated May 27, 2010. If we have a sense of urgency to get this done, I am confident the United States of America has the resources to make it happen.

This moratorium affects much more than the oil industry. Access to affordable energy impacts every sector of our economy, every state in our nation and every American family. This moratorium on deepwater drilling in the Gulf of Mexico is a moratorium on energy security, on economic development and on American jobs.

Chair LANDRIEU. Thank you, Lieutenant Governor. We appreciate your leadership on the coalition.

I understand you may have to leave, and just excuse yourself when you do—we were happy to accommodate your schedule—we are going to ask the panel a few questions and then move to our second panel. Lieutenant Governor, let me start with you.

We have gotten a terrific response throughout Louisiana for overturning this moratorium, and I think because of the work that we have all done, that message clearly is getting out to our state. The issue is how to get it out around the nation. You have traveled to Washington. You have been meeting with other delegations. Could you give us some insight into how the committees have been receiving the testimony that you have given here and if you feel like we are making some progress or not in getting this message out around the country, and not just to other delegations, but to other cities and elected officials around the country?

Mr. ANGELLE. Certainly, my concern is that we are talking to only our friends. Certainly, our folks in Texas and Mississippi certainly understand what it is that we are doing here and we have attempted to reach out to as many folks across the nation. I would tell you that my observation is that many folks across the nation do not have a full understanding of the value of what happens in the Gulf of Mexico, and we will only know that value when they begin to see energy prices rise because of the lack of production that will come from this moratorium and the cascading impact of the regulations that we believe are coming as the other shoe drops.

Certainly, we have worked with the National Association of Counties. You have perhaps received a resolution. The National Association of Counties, representing counties across America, has adopted a resolution opposing the moratorium. We have seen manufacturers across the nation opposing this.

However, I am concerned that America does not yet understand that what happens in the Gulf of Mexico is so important to the daily lives of the families of America. Fully a third of the oil and gas production comes from the Gulf of Mexico and 90 percent of it comes from deepwater wells. We will do everything we can to continue to get that message across. Again, I think there are some biases. Somewhere along the way, the oil and gas industry helped to create a strong America and somebody hijacked that message and began to convince people that what we were doing was somehow dirty and not American and nothing could be further from the truth.

Chair LANDRIEU. Thank you very much.

Could you also comment—I am going to move to others for questions—the meeting that I was able to help establish with you and Michael Bromwich about three weeks ago in Washington. The meeting went on for eight hours, I understand. Was any progress made in terms of the shallow water regulations, because you all were getting down into some real detail about how to move that forward? Is there anything you would like to report here on that?

Mr. ANGELLE. I would like to say, to borrow a phrase, I think the spirit is willing, but the flesh is weak, and what I mean by that is I get into meetings and we hear about the things that we are trying to get done from a shallow water perspective, but the proof is really in the numbers and there have only been two wells, in fact, two new permit for gas wells, relatively low-risk wells, that have been issued. We continue to grind, and in ways that I have never seen before.

We hosted a meeting here last week at the LITE Center with operators doing everything we can, sharing best management practices, trying to put the kind of things that we can in front of the regulators. There is a strong disconnect between the home office and the regional office. There is a culture of fear within the Bureau of Ocean Energy. There is a feeling that to do the work that both the President and the Secretary have said is legal in America, to drill for shallow water—to issue shallow water permits, we believe that there is a fear in that agency. There is a culture of better to not issue a permit than to issue a legal permit and have someone question your job performance.

And, look, it is tough. I served in a position in a regulatory environment. It is tough to do this work, but that is what the folks signed up for. The work that you—the meeting that I think that you hosted did help us identify the issues. I thank you for that. And I think we are moving in a direction to get shallow water permits. I think we are in the red zone, if you will allow me to borrow a sports analogy, but we need to push it over the end zone, over the goal line, in a relatively soon manner.

Chair LANDRIEU. And finally, I just want to be clear that while the official moratorium is for deepwater drilling and there were about 33 rigs with, I think I understand, four additional that were on the way when this happened, into the Gulf, that what we are hearing, the testimony is that for all practical purposes, drilling in the entire Gulf, including the shallow, is shut down. So I hope the members that are representing the Administration here put that into their calculations. It is not just the deepwater drilling.

Let me ask one final question to the panel and I will turn it over to Senator Vitter. For all of you, it is important, and I think, Charlie, you hit the nail on the head when you said we didn't know we were all in the oil business, but when the crash happened in 1980, we figured that out. I mean, I can remember what a ghost town not only Lafayette, the West Bank of Orleans and Jefferson felt like, Iberia, Vermilion, Lafourche, Terrebonne. I mean, it was like the movies with the sagebrush. You got that feeling going through a lot of our neighborhoods. It doesn't quite feel like that yet, but we are getting sort of the first ripples of it.

Can you describe—you described for your restaurant, but if each of you would just take 30 seconds and talk about one of your suppliers or one of your neighbors or someone that is related that is being negatively affected so we can get as many stories on the record as possible, if something comes to mind. I don't know, Charlie, do you want to start?

Mr. GOODSON. Right off the top of my head, speaking with Gerald Breaux over the last few days with the Lafayette Visitors and Convention Bureau——

Chair LANDRIEU. Speak a little louder, if you could.

Mr. GOODSON. The motel industry in town locally is really suffering. The vacationer dollars seem to be there. The tourist dollars are still there. But the traveler, the business traveler is way, way down, and Gerald told me somewhere around 25 percent, that the hotel-motel—and that is so directly related to us. A business person comes into town to do business, entertains their guests, so if they are not coming, it also affects my business, as well.

Chair LANDRIEU. Mr. David.

Mr. DAVID. Yes, Senator. We think that it appears that somewhere between 16 and 17 agents that we are aware of have left our industry since the first of June to find employment elsewhere. I mean, you saw the Louisiana Realtors' projections that we are going to lose considerable commission dollars in the next 12 months. My fear is that we are going to lose good people, experienced people that just can't make it unless homes and buildings are selling and leasing. So we are beginning to see some of the agents seek employment elsewhere.

Chair LANDRIEU. Mr. Cloutier.

Mr. CLOUTIER. I have customers all the time who say that they are laying off and going to continue to lay off, but I also deal with mergers and acquisitions and there is a ton of banks in the Florida-Alabama area that are failing, and this summer was supposed to be their resurrection year. They are going down much further than they ever thought they would.

But I would like to offer a solution, because I don't like people coming to my office and throwing a lot of problems on the desk——

Chair LANDRIEU. Please.

Mr. CLOUTIER [continuing]. Without solutions.

Chair LANDRIEU. We are looking for them.

Mr. CLOUTIER. I was with a retired engineer this weekend and he said that he is working harder now than he ever did because of all the new regulations. He is having to find ways to get the rigs out there. He says he is working six days a week and he only wants to work two to three days a week, at most, and spend time with his grandchildren after that.

So I would offer that there are 33 rigs that you said, which he said the same number, 33 rigs on the deepwater. If MMS would look at hiring two retired engineers to go through the processes of these rigs and make sure they are meeting the regulations as for the deepwater, and I am sure there are at least 66 retired engineers out there that would be interested in doing it on a part-time or full-time basis——

Chair LANDRIEU. That is excellent, and we have generally suggested along those lines a SWAT team concept that Lieutenant Governor Angelle and the coalition have pressed the Administration to try to put into place and use the experience here.

Ms. Davis, and then I will turn it over to you, Senator Vitter. Just another story or two about a supplier or a neighbor or——

Ms. DAVIS. Well, I mean, we represent—we do business quite a bit with companies in Louisiana, but because of the nature of our industry, we do have to reach out into other States. I mean, 30 percent of revenues for one of the suppliers that we do business with that is in Atlanta, Georgia, is being affected by the downturn in our purchases. We have another supplier in Howell, Michigan, that is feeling the same effects. And it is not just Louisiana.

So when we think about this, it is going to reach further and further because that person that is 30 percent down in Atlanta, Georgia, is going to have to cut back somewhere in his business and some of the things that he is doing. So it is more than just a Louisiana problem.

Chair LANDRIEU. Thank you for bringing that up, and I think that is one of our strategies moving forward, to get these small business owners that are outside the Gulf to start calling their Congressmen and their Senators and saying how they are being directly affected, and I think that is a good strategy.

Senator Vitter.

Senator VITTER. Thank you, Mary.

Mr. Lieutenant Governor, I want to go back to the broader issue of not just the formal moratorium in deepwater, but the de facto moratorium in shallow water and the threat of unreasonable regulation. You have been working with us and others on this shallow water problem, as you alluded to. Secretary Salazar told me that is going to get solved six weeks ago. Is that solved today?

Mr. ANGELLE. No, sir. The problem is not solved. There is a strong disconnect between what home office in Washington, DC, is trying to implement and their ability to communicate that to regional offices throughout America. There is no question that the shallow water fleet is getting stacked by the day. We will have fewer shallow water rigs working this week than we had two weeks ago, and that continues to be the forecast with the uncertainty of these regulations.

Senator VITTER. Is it fair to say, because shallow water rigs and projects are smaller and the lead-in time is much shorter—it is something like 30 days in terms of getting a rig operating—that the negative economic impact is going to be felt even more quickly in shallow?

Mr. ANGELLE. That is absolutely right. I think some of the issues that you are hearing about, real estate folks and banking folks and car dealers and those kind of things, are all just tied to some of the poor public policy of not being able to communicate what it is that we want in this country from a shallow water standpoint. Again, the President and the Secretary have both indicated publicly that shallow water permitting is a legal business enterprise in this country, yet the numbers don't indicate that the government is issuing the license to do that.

Senator VITTER. Right. And just to be clear for the record, as of three weeks ago, the number of those new drilling permits in shallow since the Deepwater Horizon explosion was zero. As of today, it is two. The month before the explosion, for a one-month period, that number would have been what, I think in the 40s or 30s?

Mr. ANGELLE. That is correct. I think it was upwards in the high 30s. So clearly, a significant drop-off, even in spite of the fact that it is legal to permit and to prosecute those drilling plans.

Senator VITTER. Now, in this context, it just happened yesterday, but do you have any comments or reaction to this move by the administration, at least in deepwater, possibly broader, to get rid of this NEPA categorical exclusion, to have the NEPA process a whole lot more complicated for projects?

Mr. ANGELLE. I think it is terrible public policy. It has been longstanding public policy in this country between Presidents of different parties for a long time to recognize the categorical exclusions, that when the Federal Government produces its five-year plan for leasing, it takes into consideration the activity that goes on in these areas, and as a result, companies are then able to use the environmental reports the government, in fact, provides to indicate that the prosecution of drilling plans is, in fact, synonymous with what the Federal Government looks to avoid from an environmental standpoint.

To now have a situation that we are going to roll back longstanding policy, at least in the deepwater situation—I am not certain yet what kind of impact it has on shallow water, I am continuing to follow that—but in the deepwater, this is going to be a significant, significant slowdown, even if we lift the moratorium early. If we lift it today, we still, as a result of this announcement yesterday, are going to have significant issues getting permits issued in a shorter period of time.

Again, the fact that five out of seven disagree, the fact that there is not one shred of systemic evidence here, the fact that we have gone to court and the courts have said it is arbitrary and capricious, the fact that the day after we issued—the day after the courts issued their order, the Secretary testified to a question by Senator Alexander, if the fact—was he aware of the fact that the day before the Federal courts had issued and vacated and called it arbitrary and capricious, would he simply issue another moratorium, he said yes.

So it is clear to me that there is a "damn you" attitude towards the science and to the analysis. It is clear to me that there is an effort at play to move this country artificially or to accelerate a move away from the use of hydrocarbons to fuel this country. And there are some folks who are going to look at this opportunity, and shame on them for using the loss of life of 11 Americans to try to bring about a change in the use of where we get our energy. If we are going to have an energy debate in this country, we ought to have it——

[Applause.]

If we are going to have an energy debate in this country, we ought to have it, but we ought to not use this event as the reason. Seven percent of America today gets its energy from alternatives and renewables and I think that this was about—we all believe that this can't be business as usual. You have testified, both of you have testified, it can't be business as usual.

Death by a thousand cuts is what is happening. It is a moratorium today. We beat it. We get another one issued the following day. We go to court on that on August 25. There will be another one. Then we get regulations that are rolled out. Then we can't understand the regulations because the people who wrote them have the duty to explain them can't explain them fully to us. You just begin to get the sense there is something at play a lot more than just moratorium and deepwater drilling. I think you get the play that this is about an effort to move this country off of hydrocarbons premature.

Senator VITTER. Thanks. Just one——

[Applause.]

Thank you. One closing comment to the other panelists who are talking about the investment business environment. You know, for a lot of businesses, particularly worldwide businesses, one factor they look to in terms of investing in different places is political risk. What I am scared to death about is that for energy companies and related industries, all of a sudden, the political risk in the United States of America is higher, is worse, is more threatening than it is in West Africa or a lot of other places in the world, and that is quite a comment.

Would any of you all like to expand on what you think this is doing to that business investment environment, including for small business here in Louisiana?

Mr. CLOUTIER. I would say that what we are seeing is that there are people who can go overseas that are moving overseas because they are just as worried as we are about what it is going to be going forward. I mean, we don't know what it is going to be going forward. We don't know when they are going to open up the permits to the shallow water or the deepwater and what is that price going to be going forward. How much is the insurance going to be? What are you going to have to do to get that permit?

So those people who have the financial wherewithal to go overseas, and a lot of them already have had offices overseas, so it is very easy for them to bring their rigs, their boats, their equipment overseas, they are gone overseas. And I know Anandarko just moved three rigs, I think three months ago.

So we are seeing the movement to overseas and that is going to hurt the small businesses here because they are not going to be able to move overseas with them. So, yes, that is a big concern of ours, is the political landscape and the price of doing business in the Gulf is going to go through the roof to us.

Chair LANDRIEU. Would you all go quickly so—I wanted to get this in——

Mr. DAVID. Senator Vitter, I am so glad you asked that question, because I had a little blip here, but I didn't have enough time. This is from an investor developer. "Over the past decade, my partners and I have invested more than $3 million per year in the real estate in this area. In 2009 through early 2010, we invested close to $20 million. Since the moratorium, we had four build-to-suit projects canceled. The prospective tenants were all multi-million-dollar companies. We lost our option monies and all our pre-development costs. At this time, we are no longer looking at this area for investment and strongly considering investing in Brazil."

Chair LANDRIEU. Charlie?

Mr. GOODSON. Quickly, I think as a community, we are where we eat and we are where we shop. Local restaurants, local stores are who we are—Charley G's, Cafe Vermilionville, Judy's—and there is only one of those in the whole world, right here in Lafayette. So as a small businessman, I would like to do another project in Lafayette with my daughters, but that is not going to be the case. I cannot take that risk. I cannot venture out until there is some kind of final solution to this problem. So I think more small business, like myself, to open up individual local restaurants is going to be very, very hard.

Chair LANDRIEU. Ms. Davis.

Ms. DAVIS. I would like to say, the oil and gas industry is a very global industry, and even as a small business owner, we have had to position ourselves, even before the moratorium, to be able to compete in a global market because many of our clients are overseas.

What I am seeing as a result of the moratorium, companies and agents that I had been working with and working through in Saudi Arabia, Nigeria, other parts of the world, are very pleased with what is happening here because they are now going to capitalize on the fact that we need to do business there. We will be able to send our technology there. We will be able to send our people there. We will be able to focus more time and energy to developing those business relationships and making them stronger. And it is going to be a real pain for us.

Chair LANDRIEU. Well, that is a perfect place to end, a perfect place as a challenge to end this first panel. We have a second panel. You all were excellent. I want the Administration to take note that even Secretary Chu, the President's hand-chosen person for Secretary of Energy, said that this country is going to be needing a tremendous amount of oil and gas for the next 50 years. I would strongly suggest we get as much of that oil and gas here, right here at home on American soil, right here along the Gulf Coast. The Administration's policies are in a direct conflict even with the statements of the Secretary of Energy.

Thank you. While this panel is moving and the other panel comes forward, I am sorry I cannot recognize people in the audience at an official field hearing. If you want to submit anything for the record, you may, and I am going to remain afterwards for a few minutes for anyone who wants to talk to me personally. I thank you all very, very much for coming.

Would the second panel come forward, please? To save time, I am going to introduce them as they come forward.

First, we have State Senator Norby Chabert. Senator Chabert was born and raised in Petit Caillou. He represents District 20, which covers the southernmost sections of Terrebonne and Lafourche Parish. He is one of the rising stars in our legislature, a dynamic leader in the state, and will speak from a perspective—his family, of course, has been in and around the business for many years.

Representative Simone Champagne is a lifelong resident of Jeanerette, who worked for First National Bank of Jeanerette for 23 years. She served as Chief Administrative Officer of Iberia Parish Government. She is currently a member of the legislature and an excellent leader. We are very pleased to have Representative Champagne with us today.

Honorable Arlanda Williams is the Parish Chairwoman of Terrebonne Parish, the first female to hold this position. She currently serves her first full-time term of District 2 on the Council. She was Immediate Past President of Louisiana Police Jury Association, of the Black Caucus, and current President of the National Association of Black County Officials, and she has testified in Washington and we thank you very much for your leadership.

And, of course, Mayor Tim Matte from Morgan City, which is the gateway to the Gulf of Mexico for shrimp and oil field industries. Because of the importance of these industries to the local economy, Morgan City has the Annual Labor Day Louisiana Shrimp and Petroleum Festival, and that has been getting a lot of attention around the country as people start to really understand how we can shrimp and drill in the same waters on the same day and have done so successfully and safely for many decades, and we thank you for being the spokesperson of that community.

Let us begin, if we can, Senator Chabert, with you, and if you will limit your testimony to four to five minutes and then we will have a round of questions.

STATEMENT OF HON. NORBERT N. CHABERT, LOUISIANA STATE SENATE, DISTRICT 20

Mr. CHABERT. Thank you. Madam Chairwoman, distinguished members of the United States Senate Committee on Small Business and Entrepreneurship, my name is Norbert Nolty Chabert, but everybody down in the bayou calls me Norby. I am a Louisiana State Senator for District 20, and I want to first thank Senator Landrieu and Senator Vitter for their service on the committee and for giving this serious matter the attention that it deserves.

Louisiana's 20th Senatorial District is a very unique and special place. Geographically, it is comprised of the southernmost portions of Terrebonne and Lafourche Parishes. It is home to some of South Louisiana's most famous bayous, Bayou Terrebonne, my home of Bayou Lil Caillou, and the most dominant and legendary bayou of them all, Bayou Lafourche. The names of the towns there are synonymous with Louisiana living—Houma, Cut Off, Cocodrie, Dulac, and Golden Meadow. District 20 is a microcosm of our State.

It is flush with shrimp boats, vast sugar cane fields, huge mills, fertile hunting and fishing grounds, thousands of camps and boat launches, and miles and miles of America's wetlands. It is also the hub of offshore support and supply for oil and gas exploration in the Gulf of Mexico. And no disrespect to our dear friends and colleagues here in Lafayette, St. Mary, and Iberia Parishes, but it is now the epicenter of the economic impact of the Department of Interior's moratorium on offshore drilling.

You see, members, District 20 is not only the home of the Louisiana Offshore Oil Port, commonly referred to as LOOP, where over 13 percent of our nation's oil is piped through over 50 pipelines in the Marsh Pipeline System, but it is also home to Port Fourchon, Louisiana's offshore supply super-port. Currently, each and every one of the 33 rigs that have had their drilling suspended by this moratorium are based, supplied, and serviced out of Fourchon, every single one, members. Much has been made of the consequences of the job loss on those 33 rigs. It is estimated that there are between 6,500 and 7,000 workers combined on the moratorium rigs. However, it must be noted that were are over 5,000 workers on the docks of Port Fourchon alone, Fourchon, to say nothing of the 8,500 direct jobs of men and women who drive in and out of that port every single day to provide the goods and services needed to make that port and our oil and gas industry operate.

But neither the port nor the large companies that lease space there are why I come before you today. Those companies are directly feeling the pain, the financial burden of this moratorium, as much as anyone. But they have lawyers and lobbyists to fight their fights for them.

I come before you as a representative of the thousands of mom and pop operations in my district, small businesses like Tom's Gas Station in Golden Meadow, Pat's Dress Shop and Paul's Drive-Through, both of Chauvin, the Galliano Twist, Marcel's Supermarket in Bayou Blue, Blackie's in Lockport. These are places where the workers of the oil field buy their tires, they get their groceries, they purchase their children's school uniforms, and they pick up a hamburger or a six-pack after a long day of work.

But there aren't a whole lot of extra burgers being bought, not a whole lot of dresses being sold. Everyone in my district is feeling the effects of the economic depression that has been wrought upon us through no fault of our own. Every conversation that I have with my constituents, whether it is at a coffee shop on a Monday or after church on a Sunday, is filled with the concern of the impact it is having on their businesses and the worry about whether or not they are going to keep their job.

Just this past weekend at my local Rouse's Market, I was stopped seven times by people telling me of the hard times that they were facing. Now, Senators, this is not a scene that is unfamiliar to us. Public service is the life we have chosen. However, the testimony of these constituents was very much the same, yet drastically different.

A teacher was worried about the progress of her classroom, where three of her kids' parents had lost their jobs and were going to move. A woman working in a print shop had seen a 50 percent downturn of orders just in the last three days—excuse me, last 30 days. A man who owns a tool rental company has had to lay off two of his ten workers in his shop just because their services are no longer needed. Every one of their testimonies is because of this moratorium on drilling.

Over the last half-century, the hard-working people of South Louisiana have built the energy infrastructure that powers this country. The people of the Tenth Ward in South Lafourche practically invented the international boat business. Oil and gas is the lifeblood of our economy, from top to bottom, and that blood has stopped pumping due to nothing more than political posturing.

In the coming weeks and days, more and more companies will lay off employees. Shops will shut their doors for good. Car payments will not be made. Mortgages will not be paid. In Terrebonne and Lafourche Parish, the welcome sign will once again read, "Last one out, turn out the lights."

Once again, I would like to thank the Chairwoman for her leadership and Senator Vitter for his leadership, as well, as well as the attention that the committee is paying on this very important issue. Thank you.

[The prepared statement of Mr. Chabert follows:]

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SENATE
STATE OF LOUISIANA

Senate Hearing Written Testimony- U.S. Senate Committee on Small Business and Entrepreneurship
The Deepwater Drilling Moratorium: A Second Economic Disaster for Small Businesses?

Tuesday, August 17, 2010

Presented by Norbèrt N."Norby"Chabert, Senator, Louisiana District 20

Madam Chairwoman and distinguished members of the United States Senate Committee on Small Business and Entrepreneurship,

My name is Norbèrt Nolty Chabert, but everybody down the bayou calls me "Norby," and I am Louisiana State Senator for District 20. I want to first thank Senator Landrieu and the Committee for giving this most serious matter the attention it deserves.

Louisiana's 20th Senatorial district is a very unique and special place. Geographically, it is comprised of the southern-most portions of Terrebonne and Lafourche parishes. It is home to some of South Louisiana's most famous bayous: bayou Terrebonne, my home of bayou Lil Caillou; and the most dominate and legendary of them all...bayou Lafourche. The names of the towns there are synonymous with Louisiana living: Houma, Cut Off, Cocodrie, Dulac, and Golden Meadow. District 20 is a microcosm our state. It is flush with shrimp boats, vast sugarcane fields and huge mills, fertile hunting and fishing grounds, thousands of camps and boat launches and miles and miles of America's wetlands. It is also the hub of offshore support and supply for oil and gas exploration in the Gulf of Mexico. And no disrespect to our dear friends and colleagues in Lafayette, St. Mary and Iberia parishes, but it is now the epicenter of the economic impact of the Department of the Interior's Moratorium on Offshore Drilling.

You see members, District 20 is not only the home to the Louisiana Offshore Oil Port, commonly referred to at LOOP, where over thirteen percent of our nation's oil is piped through over 50 pipelines in the MARS pipeline system, but it is also home to Port Fourchon - Louisiana's offshore supply super port. Currently, each and every one of the 33 rigs that have had their drilling suspended by this Moratorium are based, supplied, and serviced out of Fourchon; every single one, members. Much has been made of the consequences of the job loss on the 33 rigs. It is estimated that there are between 6,500 - 7,000 workers combined on the moratorium rigs. However it must be known that there are over 5,000 workers on the docks alone at Port Fourchon, to say nothing of the 8,500 direct jobs of the of men and women who drive in and out of the port every single day to provide the goods and services needed to make that port operate.

But neither the port, nor the large companies that lease space there, are why I come before you today, though those companies are directly feeling the pain and financial burden of this moratorium as much as anyone. But they have lawyers and lobbyists to fight their fights for them. I come before you as a representative of the thousands of mom and pop operations in my district. Small businesses like Tom's Gas Station in Golden Meadow, Pats Dress Shop and Paul's drive through, both of Chauvin. The Galliano Twist restaurant, Marcel's Supermarket in Bayou Blue, and Blackie's in Lockport. These are the places where the workers of the oilfield buy their tires, get their groceries, purchase their children's school uniforms, and pick up a hamburger or a six-pack on their way home from a long day of work. But there aren't a whole lot of extra burgers being sold, or new dresses being bought right now. Everyone in my district is feeling the effects of this economic depression that has been wrought upon us, through no fault of our own. Every conversation I have with my constituents, whether it is at the coffee shop on a Monday, or after church on Sunday, is filled with concern of the impact that this is having on their business, or they are worried about how long they will be able to keep their jobs. Just this past weekend at my local Rouses market I was stopped 7 times by people telling me of the hard times they were facing. Members, this is not a scene unfamiliar to us, as public service is the life we have chosen. However, the testimony of those constituents were all nearly the same, and yet diversely different. A teacher worried about the progress of her class room where three of her kids' parents had lost their jobs. A woman working in a print shop has seen a 50% downturn of orders over the last 30 days. A man who owns a tool rental company has had to lay off two of his ten workers in his shop because they are no longer needed. Every one of their testimonies is because of this moratorium on drilling.

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Terrebonne and Lafourche parishes the welcome sign will once again read, "Last one out...turn out the lights."

Once again, I would like to thank the chairwoman for her leadership and the committees for taking up this very important issue.

Thank you.

Chair LANDRIEU. Thank you, Senator.
[Applause.]
Representative Champagne.

STATEMENT OF HON. SIMONE B. CHAMPAGNE, LOUISIANA HOUSE OF REPRESENTATIVES, DISTRICT 49

Ms. CHAMPAGNE. Thank you. First of all, I would like to thank Senator Landrieu and Senator Vitter for being here today and listening to us. We really appreciate all the hard work that you all are doing in our capital to make the rest of the nation understand how important Louisiana is in the oil and gas industry.

I also, and in your package you will receive, I included a survey from an independent oil and gas industry people that did a survey on the economics and gives you a little more stats than what I will provide.

To start off, I represent District 49, which is Coastal Iberia and one-third of Coastal Vermilion Parish. I am very proud of the fact that we don't compete necessarily with Port Fourchon, but we try to complement Port Fourchon on our industry. What we have in District 49 are two waterports that do topside as well as fabrication, as well as an airport that is home to the Helicopter Training Center that utilizes a lot of the oil and gas industry air providers. I also am proud that we are the home of the Henry Hub, which provides 25 to 30 percent of the electricity throughout the nation. This, I believe, is what we need to make Washington understand, how much we provide the rest of the nation, what we do for them on a daily basis.

In my testimony, I also have written from Ms. Heidi Martin, who owns Prologue, another woman-based industry, and she is located on Highway 90 in Iberia Parish. She does rental and lease for offshore oil storage facilities and drilling. She has received 80 to 85 percent reduction in her sales and lease since the moratorium has taken effect. On the bottom of her statement, which I did provide for you all, she gave me a wonderful quote. "Courage is not denying a situation, but denying its power over you." Today, my testimony is going to be about not denying the power that the moratorium has put on the good people of Louisiana.

I, like Norby, visit those supermarkets on a daily basis. We have families. We have to go home and cook their meals and take them to the ballpark and everything else that moms and dads and grandparents do on a daily basis. So my testimony today will be about the small businesses that I visited in the last several months about the moratorium.

First was Prologue, a woman-owned business that is getting 80 to 85 percent decrease. The others are our mud cleaning businesses. We all talk about how the drilling rig, how they are pumping mud into the Deepwater Horizon. Well, all of that has to be cleaned out at some point in time, and that is what drilling does. So we have a lot of that industry in District 49 and across the coastal parishes. So they are hurting, because if they are not working, if they are not drilling, they are not cleaning.

I also visited with supply companies. We have very many. Now, we look at supply companies sometimes as giving those fittings and the piping, which they do, but we also have supply companies that will daily ship to our businesses supplies such as groceries, air conditioners, and heating, linen supplies, our galley hands. If they are not drilling and we are not producing oil and gas, they are not working. So these people are out of work. They run the risk of not having a job in the next six to nine months or as long as this will last, and for eternity.

I also visited our uniform companies that have had a decrease of about 50 percent in their sales for uniform companies and printing. So all of this, along with I had an interesting conversation on Friday with a caterer, and what she said was—another woman-owned business that employs about 35 people—she said, people think of caterers as being the wedding people or the special planners, which they are. But I know in the district I represent, they also go out to our ports. They furnish daily meals for the industry that they sell to workers. And all of these specialty items, they can no longer furnish because these are some of the things that are being cut back in our economy because of this moratorium. They also buy from our local restaurants and our local grocery stores.

So it is not about the trickle-down effect. It is about the trickle-up effect, how it is climbing the ladder. And this will reach Washington very shortly. When this and many others don't work, local sales taxes are down. That affects the services that we provide as public servants when it comes to our schools and our drainage issues that we have along the coastline.

We need the rest of the nation to understand how hard Louisianans work to provide the many products that are derived from this industry. We are the energy corridor. We don't have to be dependent on foreign oil.

As a wife, mother, and sister of oil field employees, I understand the hazards of the industry. I also understand the dilemma that families face firsthand about the layoffs that they soon will see. My husband and I went through the 1980s, the oil bust of the 1980s, with two small children to feed. The uncertain future for these families will cause great stress amongst them. We have hard working, resilient people in Louisiana. Allow us to continue to provide the quality of life our constituents deserve and have worked for for years to accomplish.

Katrina and Rita issued a huge blow to the Louisiana economy. Gustav and Ike kicked us in the gut. The oil spill brought us to our knees. But this moratorium and the cease of drilling permits will sign our death sentence.

I ask the Administration to please lift the moratorium, not in October or November or September, but today. Let us get back to work. Thank you.

Chair LANDRIEU. Thank you.

[Applause.]

Ms. Williams.

STATEMENT OF HON. ARLANDA WILLIAMS, COUNCIL CHAIRWOMAN, TERREBONNE PARISH CONSOLIDATED GOVERNMENT

Ms. WILLIAMS. Thank you. Good morning, Senator Landrieu and Senator Vitter. Thank you guys for inviting us here.

I bring you greetings from the good earth, Terrebonne Parish, where I currently chair the Parish Council. The French words "terra bonne," meaning good earth, good soil, and good land, are more than fitting, as the citizens of our parish have supported themselves and their families with the blessings of nature, our unique geography that creates abundant fisheries, our beautiful landscapes, and a warm culture that draws many every year. Our parish symbols, the oil rig and the fishing vessel, represent the importance of the oil and gas industry and the seafood industry to the economy of our great parish, with approximately 60 percent of our workforce directly or indirectly related to the oil field and approximately 20 percent directly or indirectly related to the seafood industry.

The explosion of the Deepwater Horizon caused devastation to 11 families who lost fathers, sons, brothers, or friends, something that many of us have probably never experienced, a death with no proper closure. Moreover, the events after the explosion have caused detriment to thousands along the Gulf Coast, a reality that some of us never thought we would be faced with.

Although we understand the position of safety, a six-month moratorium would destroy parishes and counties along the Gulf Coast that rely heavily on oil and gas as a way of revenue. In our case, six months is the equivalent of two to four years. When a company that installs and dismantles offshore platforms in the Gulf of Mexico ties up a derrick barge, that act ripples through the region and States' economies. It results in employee layoffs, approximately a crew and staff of 100 people, and the subsequent reduction of their income, the impact on their ability to pay mortgages, household bills, tuition, fewer dinners out, shopping trips, and other dollars that can be spent in our local economy.

My parish depends more or less on services related to the oil field industry, so when one company reduces its spending with numerous other companies who supply that operation—groceries, welding suppliers, pipe, sheet metal, safety supplies, chemicals and cleaning fluids, field, truck transportation, water, driving companies, and even the scrapyard that would be used to buy those scrap materials—and those suppliers lose their business, when this happens, they lose their ability to spend dollars on those supplies and services and can be forced to lay off employees. This is just from one derrick barge that services shallow waters, where permits are still not really being issued.

In Terrebonne Parish, all of this reduced disposable income has hurt a local restaurant. Big Al's, known to many when they come and visit our parish, is a long-established seafood restaurant that had to close one of its locations. The closure was the result of a decrease of income of $15,000 to $20,000 a month for the last 90 days and the difficulty in buying seafood to prepare and sell. He was affected by both the loss in seafood and the lack of employees coming in because the oil field services always came in and did lunch meetings or dinner meetings with Big Al's. While this means no purchases are being made from seafood suppliers, neither are purchases being made from suppliers of other ingredients, supplies, or utilities. These workers have lost their jobs and no longer have the ability to spend money as freely as they previously did.

The effect of the moratorium will have more of a lasting effect than anyone can conceive. With a Master's in criminal justice, I understand social strain, and this is a theory used in criminal justice to describe increased criminal activity and certain offenders. It is the inability to live the quality of life you are accustomed to, thus resulting in increased criminal activity which happens when that father or that mother cannot bring home the food and the money that they are used to and their children cannot live the lives that they have been accustomed to living. They result in doing things that are unseen and unknown to many because they want their family to continue to go and live the life that they have lived for so many years.

But the most important thing are our children. The Terrebonne Parish School District went into Reduction in Force for the 2010–2011 school year, highly related to a $9 million sales tax decrease, a drop in child enrollment causing their MFP to decline because of migration out of the parish. The school system receives 46.22 percent of sales tax revenue and will begin this school year in need of $11.3 million to balance the general fund, and that is before the true effects of this moratorium begins. These numbers are expected to almost double, and to put a burden on an already financially burdened school system.

The basis for which this country's future lies is in our children and they are now becoming the sacrificial lambs at the end of the situation. Because the public school system will have to prepare for an increased amount of students that will transfer in from the parochial system, thus causing overcrowded classrooms mixed with all types of behavioral problems, yet there will be no increase in the sales tax, to increase the teaching staff will be unattainable, thus making "No Child Left Behind" to be changed to "No Generation Left Behind."

Am I my brother's keeper? Am I my sister's keeper? E. pluribus unum, out of many, one. It is this fundamental belief, I am my brother's keeper, I am my sister's keeper, that this country works off of. But if you live in a little area called Pointe-Aux-Chenes, a community built on the seafood industry, a community rich in faith and hope, a community strong enough to weather every catastrophic storm that has touched the Louisiana Gulf Coast, and yet not another disaster has taken away the very industry that they need to survive, and now many is taking away the only backup plan that they ever had.

I beg upon you to take back these fundamental beliefs to the administration to let them know that we are a people that can stand and we can weather anything. But when you take food out of our mouths, when you stop educating our children, then we begin to fight, and our fight is not one, but it is all standing together.

I thank you guys for your support and I thank you guys for having this meeting today.

[The prepared statement of Ms. Williams follows:]

Senate Hearing
Arlanda J. Williams, Council Chairperson
Terrebonne Parish Government
August 17, 2010

Written Testimony

U.S. Senate Committee on Small Business & Entrepreneurship
"The Deepwater Drilling Moratorium: An Economic Disaster for Louisiana's Small Businesses"

"Good morning, Senator Landrieu I am bid greetings to you and your esteemed committee from the "Good Earth" Terrebonne Parish, where I am currently the council chairwoman". The French words Terre Bonne meaning the Good Earth is more than fitting as the citizens of our parish have supported themselves and their families with the blessings of nature; our unique geography that creates abundant fisheries, beautiful landscapes, and a warm culture that draws many visitors each year.

Our parish symbol the oil rig and a fishing vessel represent the importance of the oil and gas industry and the seafood industry to the economy of this great parish, with approximately 60% of our workforce directly or indirectly related to the oilfield and approximately 20% directly or indirectly related to the seafood industry. The explosion of the Deepwater Horizon caused devastation to 11 families who lost fathers, sons, brothers, or friends something many of us probably have never experienced a death with no proper closure. The events after the explosion caused detriment to thousands along the Gulf Coast, a reality some of us never thought we would be faced with.

Although, I understand and respect the federal government's position on safety, a 6 month moratorium would destroy parishes and counties along the Gulf Coast that rely heavily on oil and gas as a way of revenue. In our case, 6 months is the equivalent of two to four years. When a company that installs and dismantles offshore platforms in the Gulf of Mexico ties up a derrick barge, that act ripples through the region and state's economies. It results in employee layoffs (approximately a crew of 100 people) and the subsequent reduction of their income, impacting their abilities to pay mortgages, household bills, tuition, fewer dinners out, shopping trips, and other dollars spent in the local economy. My parish depends more or less on services related to the oilfield industry thus when one company reduces its spending with numerous other companies who supply that operation-groceries, welding supplies, pipe, sheet metal, safety supplies, chemicals and cleaning fluids, fuel, truck transportation, water, driving companies, even the scrap yard that would buy the scrapped materials- and as those suppliers lose their business, they lose their ability to spend dollars on their supplies and services and can be forced to lay off employees. This is just from on derrick barge that services the shallower waters, where permits are also not being issued.

In Terrebonne Parish all of this reduced disposable income has hurt a local restaurateur Al Mahler, who owns a long-established seafood restaurant, and had to close one location in Houma. The closure was the result of a decrease in income of $15k to $20k a month for the last 90 days and the difficulty in buying seafood to prepare and sell. While this means no purchases a being made from seafood suppliers, neither are purchases being made from suppliers of other ingredients, supplies, utilities, etc. Those workers have lost their jobs and no longer have the ability to spend money as freely as they previously did.

The effect of the moratorium will have for more lasting affects than any one can even conceive. “Social Strain”,a theory used in Criminal Justice to describe increased criminal activity in certain offenders, is the inability to live the quality of life you are accustomed to, thus an increase in criminal activity. The Terrebonne Parish School District went into **Reduction in Force**, for the 2010-2011 school year highly related to a 9 million dollar sales tax decrease, a drop in child enrollment causing the MFP to decline to 1.6 million dollars because of migration out of the parish. The school system receives 46.22% of sales tax revenue and will began the year in need of $11,346,904 to balance the general fund budget, before the effects of the moratorium truly began. These numbers are expected to increase as a result of the moratorium and put a burden on already financially burdened school system. The basis for which this country’s future lies, our children are the sacrificial lambs in this whole situation. Many students in the parochial school system will transfer into the public school systems due to layoffs in the oil and gas industry and the inability for those in the seafood industry to get beyond the negative image the rest of the country has for Louisiana seafood, causing overcrowded classrooms mixed with all types of behavioral patterns. Yet, there will be no increase in sales tax, so to increase teaching staffs will not be attainable, thus making no child behind become a generation left behind.

Am I my brothers, keeper? Not if you along lower reaches in Terrebonne Parish in a community called Pointe-Aux- Chenes a community built on the seafood industry, a community rich in faith and hope, a community strong enough to weather every catastrophic storm that has touched the Louisiana gulf coast and another disaster has taken a way the very industry they need to survive and man is threatening to take away the industry they rely upon as a back up? The moratorium's effects will reach from the oldest to the youngest and at the end of the day what will it prove? How many moratoriums have been put in place since 1947 when the first deepwater rig was placed in the gulf? This is this result of human error, and I don't think that one man's greed should cause another man to need!!!

Arlanda J.Williams
Terrebonne Parish Council Chair
National Association of Black County Officials, President
Louisiana Democratic Party, Secretary

Chair LANDRIEU. Thank you.

[Applause.]

Thank you, Madam President, very much for that moving testimony.

Mayor Matte.

STATEMENT OF HON. TIMOTHY MATTE, MAYOR, MORGAN CITY, LOUISIANA

Mr. MATTE. Good morning, Chairwoman Landrieu and Senator Vitter. Welcome to South Louisiana and the Cajun Coast. My name is Tim Matte and I am presently serving my 14th year as Mayor of the City of Morgan City.

Morgan City is a community located 70 miles south of here at the bottom of the Atachafalaya Basin, the largest overflow river swamp in the United States. We are very proud of the fact that we are the birthplace of the offshore oil and gas exploration business. In 1947, Kerr McGee drilled the first successful oil well outside of land just south of Morgan City and brought about this vital industry. At the same time, our community was known as the Jumbo Shrimp Capitol of the world in recognition of the huge fleet of shrimp boats ported out of Morgan City, harvesting the jumbo shrimp from the waters of the Central Gulf of Mexico. Today, both of these industries are prominent contributors to our local economy, although the support of offshore oil and gas exploration and production make up the majority of our economic base.

The businesses that call our community home include small marine fabricators, shipyards for both new construction and repair, diesel repair shops, equipment rental companies providing equipment utilized by drilling companies for all phases of exploration and production of oil and gas, vessel operators, food supplying catering companies, and diving contractors and remote operating vehicle manufacturer and operators, as well as companies providing support for all of these businesses.

Our resident companies are primarily small businesses, but we also are home to some of the larger names in this vital business, such as the fabricator of many of the offshore structures and production facilities, J. Ray McDermott, Transocean, Halliburton, Cameron, the manufacturer of sub-sea equipment, such as blowout preventers, and Oceaneering International, the manufacturer and operator of those ROVs, or underwater robots that we all watch working on the plugging of the Deepwater Horizon well.

We are also home to the companies that developed and constructed the Big Gulp, the barge skimmer that successfully worked in removing large quantities of oil from the Gulf, and the sealing plug was fabricated here in our parish. We are also home to a variety of small retailers that rely on the employment provided those that work offshore and for those service companies.

I would like to make a few initial comments as an overview of our feelings towards the moratorium, offer some examples from my community of the impacts we are seeing and anticipate seeing as a result of the moratorium, and wrap up with a few comments about the need for safety in the industry.

It is my understanding that there are 33 rigs seeking permits to drill in deepwater in the Gulf of Mexico. I also understand that two rigs have already left the Gulf for other projects in foreign waters. And I understand that up to six rigs have already sent notification that they will be leaving the Gulf of Mexico. My view of the moratorium is that it is punitive to small business in Coastal Louisiana. I believe that this is not the intention of the effort, but without a doubt, that is the result.

The larger oil companies will not be adversely affected by the withholding of drilling permits as they will simply exploit a resource in some other part of the world. The drilling contractors may only suffer minimal impacts as they compete on a worldwide basis and have opportunities to drill elsewhere. But our small business community primarily serves the Gulf of Mexico activity. The movement of these rigs will cause a loss of jobs and economic opportunity for our resident companies as they will not be in a position to follow the activity to foreign areas. In some cases, they would even be prohibited from doing so.

Let me offer a few examples from my community. Morgan City is the home of an offshore caterer, a family-owned business that has been operating here since the 1960s, serving companies with their food and related product needs out of a downtown Morgan City location. They employ 70 to 90 people, depending on workload, and of the 33 rigs in question, they have contracts with six. When operating, those six rigs represent 30 percent of their gross revenue. The loss of these rigs would lead to a reduction of the staff by as many as 30 people. Since he would not have the workload, he would also have to return a number of trucks that he has presently under lease, and, of course, the fuel purchases and all of the other costs associated with that would have to be reduced.

One of our small fabricators, another example, builds flow line jumpers for these offshore wells once the well is drilled and moved to development. He has reported that he has had orders postponed for nine jumpers from one oil company and from six from another company delayed. He expects this to impact his revenues by over $1 million. He does market to companies that do work in foreign areas. However, he has not been very successful in doing that in that he finds that fabrication is one area where some foreign governments have put a requirement of local content in their projects, therefore putting him at a competitive disadvantage.

Each of these 33 drilling rigs will have one to two ROVs for its drilling operation. One of our resident companies had committed 29 ROVs to those 33 drilling rigs. From a company perspective, he hopes to continue to serve those rigs if they move. However, they will be crewed by employees from those foreign offices that he has. That is going to result in the loss of United States employment, without a doubt.

Our area is also the home to a helicopter company which happens to probably have locations in every one of our locations. They have contracts with 22 of those 33 rigs. That is going to have an impact all across the Gulf Coast.

These are just a few examples that we have seen thus far with the moratorium. This burden is falling on small business, and consequently it is going to fall on a community like mine as we are forced to adjust our budget by reducing the number of people we have working for us, thus exacerbating this problem.

St. Mary Parish was in the disaster area for each one of the hurricanes, Katrina, Rita, Gustav, and Ike. We have come through some pretty tough times. These tough times, one of the results of that is that it causes a depletion of our reserves. We just don't have reserves to fall back on to wait around. We don't have the luxury of waiting out better times when a drilling moratorium might be lifted and when these rigs might come back to the Gulf of Mexico.

In my conversation with some of the business community, I was told that the economic downturn and the effect the moratorium has had in some cases has been softened by the opportunities derived by responding to the spill or providing services to BP and their contractors, and this has had the result of putting some offshore supply vessels and towboats back to work and barges to work.

I had one crewboat operator tell me that he has had four jobs canceled in deepwater, but he has got five boats working on the spill. I believe he has already got notification on one, and the notification on those other four are coming shortly. Those boats are going to be laid off. So in addition to losing these four from the deepwater projects, he is going to have another five vessels sitting at his dock, not spending money, not employing people, and so forth. Two vessel crews have already been let go. That is 24 people. You know, you operate those vessels around the clock. It takes a lot of people to operate them.

Another contractor, another offshore supply vessel operator told me that he has fully one-half of his fleet today committed to BP and has already received a notification about those contracts. So while we have talked about some very bad things that will happen as a result of this, I think the worst is yet to come with the moratorium because this BP work will and has to end.

We all see that this work is now coming to an end, and our parish right now has an unemployment rate of ten percent. That is as of June 2010. That is up from 8.7 percent last year. Once again, I think that clearly demonstrates that this moratorium is punishing the wrong people.

A common theme I am hearing from my business community is that the new office replacing MMS, namely the Bureau of Ocean Energy Management, is contributing to a reduction in economic activity in the Gulf of Mexico causing the de facto moratorium that we have referred to. One local businessman referred to the office as chaotic in processing a permit request, and delays are resulting in the processing of permit requests for activities that have absolutely nothing to do with deepwater drilling activities other than the fact that they both occur in the Gulf of Mexico. And I will add to that, not only is it shallow water drilling permits, but it is permits for activities in shallow waters that have nothing to do with drilling. This is having an impact on many of the service providers in our community that have traditionally served shallow water and the shelf areas going back to the early days of the Gulf of Mexico.

And lastly, let me finish up with one point that I would like you all to leave here regarding—my comments regarding safety of offshore oil and gas production and exploration. I think the Macondo Well incident, most of you would agree that prior to that incident, the industry had a pretty good safety record. While there is and will be much debate about the cause of this very tragic incident and what should be done about it to prevent a future incident, I want to offer this observation.

I think it is very significant that the loudest voices protesting the institution of this moratorium is coming from mayors and parish presidents and workers and their families from Coastal Louisiana. Those are our sons and daughters on those rigs. Those are our brothers and sisters on those rigs. None of us take their health and safety for granted. We demand a safe workplace. We have proudly served our nation by putting ourselves at risk by undertaking this important task because it is noble work, it is important work, and it is work that this country needs done.

I think our willingness to continue this work deserves some recognition. Our citizens want to go back to work. And I thank you for this opportunity to share these thoughts with you.

[The prepared statement of Mr. Matte follows:]

Good morning Chairwoman Landrieu and Committee members. Welcome to South Louisiana and the Cajun Coast. My name is Tim Matte and I am presently serving my 14th year as Mayor of the City of Morgan City.

Morgan City is a community located 70 miles south of here at the bottom of the Atchafalaya Basin, the largest overflow river swamp in the United States. We are very proud of the fact that we are the birthplace of the "offshore" oil and gas exploration business. In 1947, Kerr McGee drilled the first successful oil well "out of the sight of land" just south of Morgan City and brought about this vital industry. At that same time our community was know as " The Jumbo Shrimp Capital of the World" in recognition of the huge fleet of shrimp boats ported out of Morgan City, harvesting the Jumbo shrimp from the waters of the central Gulf of Mexico. Today both of these industries are prominent contributors to our local economy, although the support of offshore oil and gas exploration and production make up the majority of our economic base. The businesses that call our community home include small marine fabricators, shipyards for both new construction and repair, diesel repair shops, equipment rental companies providing equipment utilized by drilling companies for all phases of exploration through production of oil and gas, vessel operators, food supply and catering companies, and diving contractors and remote operating vehicle manufacturer and operators as well as companies providing support for these businesses. Our resident companies are primarily small businesses but we also are home for some of the larger names in this vital business such as the fabricator of many offshore structures and production facilities J. Ray McDermott, Transocean, Halliburton, Cameron, the manufacturer of sub sea equipment such as blow out preventors, and Oceaneering International, the manufacturer and operator of those ROV's or underwater robots that we all watched working on the plugging of the Deepwater Horizon well. We also are home to the company that developed and constructed the "Big Gulp" barge skimmer that successfully worked in removing large quantities of oil from the Gulf and the "sealing plug" was fabricated here in our parish.

We are also home to a variety of small retailers that rely on the employment provided those that work offshore or for these service companies.

I would like to make a few initial comments as an overview of our feelings toward the moratorium, offer some examples from my community of the impacts we are seeing and anticipate seeing as a result of the moratorium and wrap up with a few comments about the need for safety within the industry.

It is my understanding that there were 33 rigs seeking permits to drill in deep water in the Gulf of Mexico. I also understand that 2 rigs have already left the Gulf for other projects in foreign waters. I also understand that 6 other rigs have sent notification that they will be leaving the Gulf of Mexico for other areas.

My view of the moratorium is that it is punitive to small business in coastal Louisiana. I firmly believe that that is not the intention of the effort but that is the result.

The large oil companies will not be adversely affected by the withholding of the drilling permits, as they will simply exploit a resource in some other part of the world.

The drilling contractors may suffer only minimal impacts since they compete on a world wide basis and have opportunities to drill elsewhere. Our small business community primarily serves the Gulf of Mexico activity. The movement of these rigs will cause the loss of jobs and economic opportunity for our resident companies as they will not be in a position to follow the activity to foreign areas. In some cases, they would be prohibited from doing so.

Let me offer a few examples from my community. Morgan City is the home of an offshore caterer, a family owned business, that has been operating here since the 1960's serving companies with their food and related product needs out of a downtown Morgan City location. They employee 70-90 people depending on workload. Of the 33 deepwater rigs in question, they have contracts with 6. When operating, these 6 rigs represent up to 30% of their gross revenue. The loss of these rigs would lead to a reduction of his staff by up to 30 people. Since he would not have the work load, he would also have to return a number of his trucks that are presently leased and of course the fuel purchases he makes for those trucks would cease.

One of our small fabricators builds flow line jumpers for these offshore wells once the well is drilled and moved to development. He has reported that he has had orders postponed for 9 jumpers from one oil company and 6 from another company also delayed. He expects this to impact his revenues by $1mm. He does market to the Companies that do business in foreign areas however, he has not been successful as yet, and has found that fabrication is one area where some foreign governments have been requiring some local content in those services, therefore putting him at a competitive disadvantage.

Each of these drilling rigs requires one or two ROV's for its drilling operations. One of our resident companies had committed 29 ROV's to those 33 drilling rigs. From a company perspective, he hopes to continue to serve those rigs if they move, however they will be crewed by employees from those foreign areas as they have offices in those other areas. This will result in the loss of United States employment.

Our area is the home to a helicopter company that supplies transportation to 22 of these 33 rigs. Due to their multiple locations we will share that loss of business through out the Gulf coast.

These are but a few examples that we have seen thus far with the moratorium. This burden is falling on small business and consequently, it will fall on a community like mine as we will be forced to adjust our budget by reducing the number of people we have working for us thus exasperating the problem. St. Mary Parish has been in the disaster area for Hurricanes Katrina, Rita, Gustav and Ike. We've come through some tough times. These though times have also caused a depletion of our reserves. We do not have the luxury of waiting out for better times when a drilling moratorium might be lifted and these rigs might come back into the Gulf of Mexico.

In my conversation with some of our business community, I was told that the economic downturn and the affect of the moratorium has in some cases been softened due to opportunities derived by responding to the spill and providing services to BP or their contractors. This has put some offshore supply vessels and tow boats and barges to work. We all see that that work is now coming to an end. Our Parish now has unemployment of 10% as of June 2010. This is up from an 8.7% unemployment rate at this time last year. Once again I say this moratorium is punishing the wrong people.

A common theme that I am hearing from my business community is the new office replacing the MMS, namely the Bureau of Ocean Energy Management is contributing to a reduction in economic activity in the Gulf of Mexico causing a "de facto" moratorium. One local businessman referred to the office as "chaotic" in the processing of permit requests. Delays are resulting in the processing of permit requests for activities that have nothing to do with deepwater drilling activities other than the fact that they both occur in the Gulf of Mexico. This too is having an impact on many of the service providers in our community as they have traditionally served the shallow water and shelf areas going back to the early days of Gulf of Mexico oilfield development.

One point I would like the Committee members to leave with is a statement concerning the safety of offshore oil and gas exploration and production. I think prior to the Macondo Well incident; most would agree that the safety record of the industry has been pretty good. While there is and will be much debate about the causes of this very tragic incident and what should be done to prevent a future incident, I want to offer this observation. I think it is very significant that the loudest voices protesting the institution of the moratorium is coming from Mayors, Parish Presidents, workers and their families from coastal Louisiana. Those are our sons and daughters on those rigs; those are our brothers and sisters on those rigs. None of us take their health and safety for granted. We demand a save workplace. We have proudly served our nation by putting ourselves at risk by undertaking this important task because it is noble work, important work, and work that our country needs done. I think our willingness to continue this work deserves some recognition. Our citizens want to go back to work.

I thank you for the opportunity to share these thoughts with you.

Tim Matte, Mayor
City of Morgan City

Chair LANDRIEU. Thank you.

[Applause.]

Well, ladies and gentlemen, we have had two excellent panels this morning and I think the testimony has been some of the best that I have heard, either chairing a meeting or participating, in the hundreds that I have participated in since becoming a Senator. So I really appreciate it.

I want to submit for the record, following up Scott Angelle's testimony, the letter from the five experts, the Administration's own experts, who have testified and advocated against the moratorium. I want to make sure that that gets in the record.

[The information follows:]

Fax to: Gov. Jindal: 225-342-7099
Senator Landrieu: 202-224-9735
Senator Vitter: 202-228-5061

From: Kenneth E. Arnold, PE, NAE
3031 Shadowdale
Houston Texas 77043
832-212-0160

cc. Dr. Robert Bea, Department of Civil and Environmental Engineering, Univeristy of California at Berkeley

Dr. Benton Baugh, President, Radoil, Inc.

Ford Brett, Managing Director, Petroskills

Dr. Martin Chenevert, Senior Lecturer and Director of Drilling Research Program, Department of Petroleum and Geophysical Engineering, University of Texas

Dr. Hans Juvkam-Wold, Professor Emeritus, Petroleum Engineering, Texas A&M University

Dr. E.G. (Skip) Ward, Associate Director, Offshore Technology Research Center, Texas A&M University

Thomas E. Williams, The Environmentally Friendly Drilling Project

A group of those named in the Secretary of Interior's Report, **"INCREASED SAFETY MEASURES FOR ENERGY DEVELOPMENT ON THE OUTER CONTINENTAL SHELF"** dated May 27, 2010 are concerned that our names are connected with the moratorium as proposed in the executive summary of that report. There is an implication that we have somehow agreed to or **"peer reviewed"** the main recommendation of that report. **This is not the case.**

As outlined in the attached document, we believe the report itself is very well done and includes some important recommendations which we support. However, the scope of the moratorium on drilling which is in the executive summary differs in important ways from the recommendation in the draft which we reviewed. We believe the report does not justify the moratorium as written and that the moratorium as changed will not contribute measurably to increased safety and will have immediate and long term economic effects. Indeed an argument can be made that the changes made in the wording are counterproductive to long term safety.

The Secretary should be free to recommend whatever he thinks is correct, but he should not be free to use our names to justify his political decisions.

The Primary Recommendation in the May 27, 2010 report, "INCREASED SAFETY MEASURES FOR ENERGY DEVELOPMENT ON THE OUTER CONTINENTAL SHELF" Given by Secretary Salazar to The President Misrepresents our Position

The National Academy of Engineering recommended us as contributors and reviewers of the recent Department of Interior "30 Day Review" of the BP Oil Spill. We were chosen because of our extensive petroleum industry expertise, and independent perspectives. The report states:

"The recommendations contained in this report have been peer-reviewed by seven experts identified by the National Academy of Engineering. Those experts, who volunteered their time and expertise, are identified in Appendix 1. The Department also consulted with a wide range of experts from government, academia and industry."

The BP Macondo blow out was a tragedy for eleven families, and an environmental disaster of worldwide scale. We believe the blowout was caused by a complex and highly improbable chain of human errors coupled with several equipment failures and was preventable. The petroleum industry will learn from this; it can and will do better. We should not be satisfied until there are no deaths and no environmental impacts offshore - ever. However, we must understand that as with any human endeavor there will always be risks.

We broadly agree with the detailed recommendations in the report and compliment the Department of Interior for its efforts. However, we do not agree with the six month blanket moratorium on lfoating drilling. A moratorium was added after the final review and was never agreed to by the contributors.
The draft which we reviewed stated:

"Along with the specific recommendations outlined in the body of the report, Secretary Salazar recommends a 6-month moratorium on permits for new exploratory wells with a depth of 1,000 feet or greater. This will allow time for implementation of the measures outlined in this report, and the consideration of information and recommendations from the Presidential Commission as well as other investigations into the accident.

"In addition, Secretary Salazar recommends a temporary pause in all current drilling operations for a sufficient length of time to perform additional blowout preventer function and pressure testing and well barrier testing for the existing 33 permitted exploratory wells currently operating in deepwater in the Gulf of Mexico. These immediate testing requirements are described in Appendix 1."

We agree that the report and the history it describes agrees with this conclusion. Unfortunately after the review the conclusion was modified to read:

"The Secretary also recommends temporarily halting certain permitting and drilling activities. First, the Secretary recommends a six-month moratorium on permits for new wells being drilled using floating rigs. The moratorium would allow for implementation of the measures proposed in this report and for consideration of the findings from ongoing investigations, including the bipartisan National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling.

"The Secretary further recommends an immediate halt to drilling operations on the 33 permitted wells, not including the relief wells currently being drilled by BP, that are currently being drilled using floating rigs in the Gulf of Mexico. Drilling operations should cease as soon as safely practicable for a 6-month period."

We believe the moratorium as defined in the draft report addresses the issues evident in this case. We understand the need to undertake the limited moratorium and actions described in the draft report to assure the public that something tangible is being done. A blanket moratorium is not the answer. It will not measurably reduce risk further and it will have a lasting impact on the nation's economy which may be greater than that of the oil spill.

The report highlights the safety record of the industry in drilling over 50,000 wells on the US Outer Continental Shelf of which more than 2000 were in over 1000 feet of water and 700 were in greater than 5000 feet of water. We have been using subsea blowout preventers since the mid- 1960s. The only other major pollution event from offshore drilling was 41 years ago. This was from a shallow water platform in Santa Barbara Channel drilled with a BOP on the surface of the platform.

The safety of offshore workers is much better than that of the average worker in the US, and the amount of oil spilled is significantly less than that of commercial shipping or petroleum tankers. The US offshore industry is vital to our energy needs. It provides 30% of our oil production, is the second largest source of revenue to the US Government ($6 Billion per year), and has a direct employment of 150,000 individuals. The report outlines several steps that can be taken immediately to further decrease risk as well as other steps that should be studied to determine if they can be implemented in a way that would decrease risk even more.

This tragedy had very specific causes. A blanket moratorium will have the indirect effect of harming thousands of workers and further impact state and local economies suffering from the spill. We would in effect be punishing a large swath of people who were and are acting responsibly and are providing a product the nation demands.

A blanket moratorium does not address the specific causes of this tragedy. We do not believe punishing the innocent is the right thing to do. We encourage the Secretary of the Interior to overcome emotion with logic and to define what he means by a "blanket moratorium" in such a way as to be consistent with the body of the report and the interests of the nation.

The foregoing represents our views as individuals and does not represent the views of the National Academy of Engineering or the National Research Council or any of its committees.

Kenneth E. Arnold, PE, NAE

Dr. Robert Bea, Department of Civil and Environmental Engineering, University of California at Berkeley

Dr. Benton Baugh, President, Radoil, Inc.

Ford Brett, Managing Director, Petroskills

Dr. Martin Chenevert, Senior Lecturer and Director of Drilling Research Program, Department of Petroleum and Geophysical Engineering, University of Texas

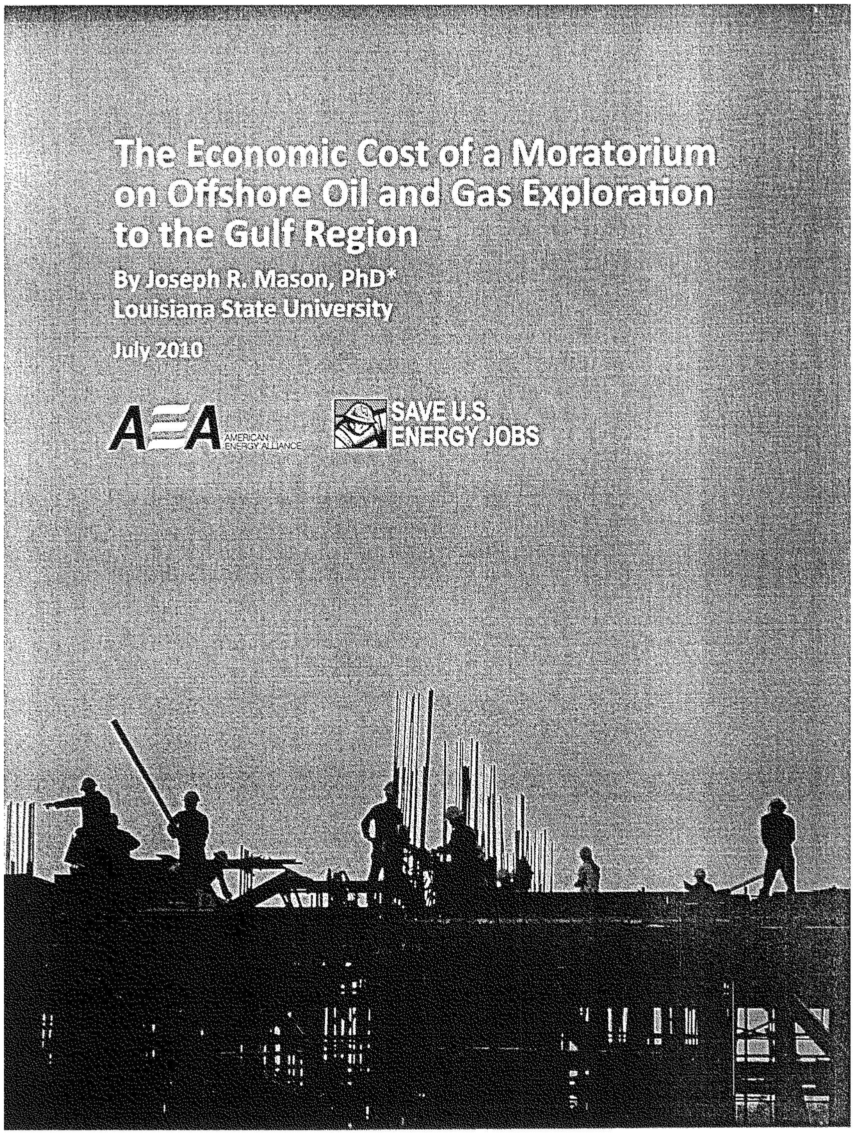
Dr. Hans Juvkam-Wold, Professor Emeritus, Petroleum Engineering, Texas A&M University

Dr. E.G. (Skip) Ward, Associate Director, Offshore Technology Research Center, Texas A&M University

Thomas E. Williams, The Environmentally Friendly Drilling Project

Chair LANDRIEU. I also want to submit for you, Representative Champagne, the document, the survey of small businesses that you referred to in the record.

[The information follows:]



The Economic Cost of a Moratorium on Offshore Oil and Gas Exploration to the Gulf Region

By Joseph R. Mason, PhD*
Louisiana State University

July 2010

AEA AMERICAN ENERGY ALLIANCE

SAVE U.S. ENERGY JOBS

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“Halting all offshore deepwater drilling in response to a likely low-probability event serves neither to address the root causes of the accident, nor to aid in the economic rehabilitation of the Gulf region. Indeed, a moratorium on offshore drilling would result in billions in additional lost economic activity in the Gulf.”

Executive Summary

In the wake of the recent *Deepwater Horizon* oil rig spill, federal lawmakers have struggled both to address the causes of this rare and disastrous event and to enact policies to guide the environmental and economic recovery of the Gulf region. As part of its effort to respond to the crisis, the Obama administration issued a moratorium on offshore deepwater drilling (first enacted on May 30th, 2010). The goal of the moratorium is to shield the Gulf from further harmful effects by limiting the likelihood of a similar oil spill in the future. The moratorium, however, will do more harm than good. By ceasing offshore drilling, even for as little as six months, the moratorium will further depress onshore state and local economies dependent on oil production. Evidence indicates that the *Deepwater Horizon* spill was attributable to a lack of sufficient oversight during the transition of the rig from exploration to commercial production. Halting all offshore deepwater drilling in response to a likely low-probability event serves neither to address the root causes of the accident, nor to aid in the economic rehabilitation of the Gulf region. Indeed, a moratorium on offshore drilling would result in billions of dollars in *additional* lost economic activity in the Gulf.

The Fifth Circuit Court of Appeals agreed with this line of reasoning by refusing to reverse the lower court's stay of the May 30th, 2010 moratorium. The court found that President Obama's administration “failed to demonstrate the likelihood that the district court's ruling would cause irreparable injury during the time that the administration's appeal is pending.”[1] Undeterred by the court ruling, the current administration issued a new moratorium on July 12th, 2010. The moratorium reasserts the policies outlined on May 30th, 2010 with an additional caveat that would include all floating facilities.[2] Such a comprehensive measure could further cripple the economy of the Gulf region. The new moratorium maintains the timeframe of May 30th policy and will be in effect until November 30th.

In this report, Dr. Joseph R. Mason investigates the resultant economic effects if either moratorium is allowed to stand.[3] By analyzing the total economic harm associated with the moratorium, Dr. Mason finds that there would be broad economic losses within the Gulf region and throughout the nation as a whole. He uses the Bureau of Economic Analysis's RIMS II “input-output” analysis to measure the economic effects associated with a potential production stoppage. Table 1 summarizes the results. Dr. Mason concludes that President Obama's moratorium will have grave economic consequences for the Gulf and the nation.

Table 1
Summary of Potential Lost Economic Activity

	Total GOM	Total U.S.	Spillover Effects
Output ($ Mil)	-$2,110	-$2,769	-$659
Employment (Jobs)	-8,169	-12,046	-3,877
Wages ($ Mil)	-$487	-$707	-$219
State & Local Tax Revenues ($ Mil)	-$98	N/A	N/A
Federal Tax Revenues ($ Mil)	N/A	-$219	N/A

Note: Production is assumed to be stopped for six months. Losses are expected to accrue over 12 months following the start of the moratorium, on May 30th, 2010.

[1] Courts Block Deepwater Drilling Moratorium, Salazar Issues Revision in Response, *OMB Watch*, Jul. 13, 2010 (available at http://www.ombwatch.org/ node/11131).
[2] Press Release, U.S. Department of the Interior, Interior Issues New Suspensions to Guide Safe Pause on Deepwater Drilling, Jul. 12, 2010.
[3] Dr. Mason's work measures the effect of a moratorium since May 30th, which effectively encompasses the rejected May 30th moratorium and the more recent July 12th moratorium, since both measures result in a six-month moratorium. Dr. Mason's work does not account for new provisions in the July 12th moratorium – and thus may be conservative estimates in that regard.

I. INTRODUCTION

The recent *Deepwater Horizon* oil rig disaster and President Obama's subsequent Offshore Deepwater Drilling Moratorium ("moratorium"), originally issued on May 30th, have fanned the flames of the already heated debate over the extent to which drilling for oil and natural gas off U.S. coasts should be permitted. Until recently, the U.S. government has withdrawn leases from areas between 3 and 200 miles off the coasts of 20 states for the extraction of oil and natural gas.[4]

Even prior to the April 20th, 2010 explosion on Transocean's *Deepwater Horizon* rig, which was leased to British Petroleum (BP), policymakers argued that the federal moratoria should be renewed. In an effort to respond to the explosion and subsequent oil spill, President Obama issued a moratorium on exploratory deepwater rigs. The President acknowledged that the moratorium would create problems "for the people who work on [offshore] rigs, but for the sake of their safety, and for the sake of the entire region, [the government needs] to know the facts before [they] allow deepwater drilling to continue."[5] These restrictions, however, are causing significant hardship and economic loss to communities already dealing with a historic recession.

The White House issued the moratorium on May 30th, 2010, stating the need to investigate the causes of the spill and to determine if future spills were possible. The moratorium states:

> The Moratorium Notice to Lessees and Operators (Moratorium NTL) issued today directs oil and gas lessees and operators to cease drilling new deepwater wells, including wellbore sidetrack and bypass activities; prohibits the spudding of any new deepwater wells; and puts oil and gas lessees and operators on notice that, with certain exceptions, MMS will not consider for six months drilling permits for deepwater wells and for related activities. For the purposes of the Moratorium NTL, "deepwater" means depths greater than 500 feet... Activities necessary to support existing deepwater production may continue, but operators must obtain approval of those activities from the Department of the Interior.[6]

The moratorium banned deepwater drilling activity, but allowed existing production to continue.[7]

Critics claim that this policy is unjustified, arbitrary, and capricious given the economic harm it will inflict upon communities dependent upon offshore drilling for jobs and revenue.[8] Accordingly, a federal judge in New Orleans blocked enforcement of the moratorium, writing that "[t]he blanket moratorium, with no parameters, seems to assume that because one rig failed and although no one yet fully knows why, all companies and rigs drilling new wells over 500 feet also universally present an imminent danger,"[9] justifying the taking of economic value from private sector jobs and firms. Although the Obama administration has already filed an appeal with a higher court, the judge's decision demonstrates the need to consider how the moratorium on offshore drilling will affect the economies of the Gulf states (Louisiana,

"Even prior to the April 20th, 2010 explosion on Transocean's Deepwater Horizon rig, which was leased to British Petroleum (BP), policymakers argued that the federal moratoria should be renewed."

[4] U.S. Department of the Interior, Minerals Management Service, Report to Congress: Comprehensive Inventory of U.S. OCS Oil and Natural Gas Reserves, Feb. 2006 [hereinafter MMS Report to Congress], at xii ("Part or all of nine OCS planning areas, which include waters off 20 coastal states, have been subject to longstanding leasing moratoria enacted annually as part of the Interior and related agencies appropriations legislation, or are withdrawn from leasing until June 30, 2012, as the result of presidential withdrawal (under section 12 of the OCSLA). Some of these areas contain large amounts of technically recoverable oil and natural gas resources."). See also id. at 3 ("The Federal OCS generally extends from 3 to 200 miles offshore and covers an area of about 1.76 billion acres.").

[5] President Barack Obama, Remarks by the President to the Nation on the BP Oil Spill, The White House, Jun. 15, 2010, (transcript available at http://www.whitehouse.gov/the-press-office/remarks-president-nation-bp-oil-spill).

[6] Press Release, U.S. Department of the Interior, Interior Issues Directive to Guide Safe, Six-Month Moratorium on Deepwater Drilling (May 30, 2010) (available at http://www.doi.gov/news/pressreleases/Interior-Issues-Directive-to-Guide-Safe-Six-Month-Moratorium-on-Deepwater-Drilling.cfm).

[7] While the moratorium is a de jure stoppage in deepwater, the lack of precise safety regimes going forward has resulted in a de facto stoppage of all drilling.

[8] Matt Stephens, Offshore drilling moratorium hurting local companies, *The Courier*, Jul. 13, 2010 (available at http://www.hcnonline.com/articles/2010/07/13/conroe_courier/news/moratorium071410.txt).

[9] Laurel Brubaker Calkins & Margret Cronin Fisk, Deepwater Drilling Ban Lifted by New Orleans Federal Judge, Bloomberg, Jun 23, 2010 [hereinafter Deepwater Ban Lifted by Judge] (available at http://www.bloomberg.com/news/2010-06-22/u-s-deepwater-oil-drilling-ban-lifted-today-by-new-orleans-federal-judge.html).

"A significant halt to oil and natural gas exploration and drilling would not just affect upstream and downstream industries, but could also impact state and local governments, as well as small retail stores, education services, healthcare assistance, and a host of other industries.

Texas, Florida, Alabama, and Mississippi), as well as the nation as a whole. Despite these legitimate concerns, the Obama administration issued a new moratorium on July 12th, 2010 – which in fact expands on the original moratorium to include all floating facilities.[10]

In this study, I estimate the total economic harm associated with the White House moratorium on deepwater drilling.[11] I use data from the U.S. Department of the Interior, Department of Energy, Census Bureau, and the Treasury Department to estimate the total decrease in output, employment, wages, and public revenues to the Gulf states and the nation as a whole. Additionally, I use figures presented by Louisiana Mid Continent Oil and Gas Association and estimated by Wood Mackenzie Research and Consulting to get industry estimates for the effects of the moratorium.

My estimates suggest that the moratorium would produce broad economic losses within the Gulf region and throughout the nation as a whole. Given the integrated nature of the U.S. economy, a negative effect in one industry is likely to be felt throughout the country. A significant halt to oil and natural gas exploration and drilling would not just affect upstream and downstream industries, but could also impact state and local governments, as well as small retail stores, education services, healthcare assistance, and a host of other industries.

"The effective six-month moratorium on offshore oil and natural gas production will result in the loss of approximately $2.1 billion in output, 8,169 jobs, over $487 million in wages, and nearly $98 million in forfeited state tax revenues in the Gulf states alone."

The effective six-month moratorium on offshore oil and natural gas production will result in the loss of approximately $2.1 billion in output, 8,169 jobs, over $487 million in wages, and nearly $98 million in forfeited state tax revenues in the Gulf states alone. Additionally, although a significant portion of oil and natural gas production is localized in the Gulf, the U.S. is a fully integrated economy, so there is an expectation that the loss will "spill-over" into other states. From this spillover effect, there could be an additional loss of $0.6 billion in output, 3,877 jobs, and $219 million in potential wages nationwide. Moreover, the federal government stands to lose $219 million in tax revenue. These losses are dramatic in both the context of local economies in which the oil industry operates, and on a national scale.

The remaining sections of this study outline the specifics of the moratorium regulations, and provide the methodology for assessing the economic cost of the suspension of deepwater drilling. Section II provides some background on U.S. offshore oil and natural gas drilling, the *Deepwater Horizon* explosion, and the White House moratoriums. Section III describes the significance of offshore oil production activities to onshore economies. Section IV outlines the model this paper uses to predict the economic impacts of a moratorium on drilling. Section V provides estimates for oil and natural gas production in the Gulf of Mexico and the U.S. Section VI estimates the economic impact of the moratorium in the U.S. on both a regional and national level. Finally, Section VII discusses conclusions from this work, most importantly that the implementation of the deepwater drilling moratorium would be catastrophic to Gulf and national economies.

II. BACKGROUND ON U.S. OFFSHORE OIL PRODUCTION

Drilling for oil and natural gas off U.S. coasts has occurred since the late 19th century, beginning in California and eventually spreading to the Gulf of

[10] Press Release, U.S. Department of the Interior, Interior Issues New Suspensions to Guide Safe Pause on Deepwater Drilling, Jul. 12, 2010.
[11] My analysis considers the moratorium to be in effect since May 30th, 2010, the date of the first moratorium. I do not consider the expanded scope of the new moratorium, which includes all floating facilities. Thus, my results in this respect may be conservative.

“By the mid-20th, oil was surpassed only by income taxes as the largest generator of revenue for the U.S. government.”

Mexico and Atlantic coasts.[12] This expansion was spurred largely by the advent of the internal combustion engine and accompanying increase in demand for gasoline, improvements in technology, the development of modern seismology, and profitability of offshore drilling to local economies.[13] By the mid-20th, oil was surpassed only by income taxes as the largest generator of revenue for the U.S. government.[14] Growth of the industry was slowed, however, as the government imposed a legislative moratorium on new drilling on the Outer Continental Shelf (OCS) in 1981.[15] President George H.W. Bush signed an executive ban reinforcing this congressional moratorium in 1990.[16]

A few years ago, government policies towards offshore drilling once again changed direction. As gas prices skyrocketed, the government faced strong pressures to find solutions that would offer relief.[17] In 2008, the same year that the congressional moratorium was set to expire, President George W. Bush terminated the executive ban previously in place.[18] Then, on March 31st, 2010, President Obama proposed the opening of new stretches of water along the Atlantic, Gulf of Mexico, and Alaskan coasts to oil and gas drilling.[19] As expected, the proposal drew significant criticism from environmental groups.[20]

Less than a month after President Obama unveiled his proposal, the debate was renewed by an explosion on the *Deepwater Horizon* oil rig 40 miles off the coast of Louisiana. The rig, a joint venture between Transocean and BP, sank into the Gulf of Mexico following the April 20th explosion at the facility. Since that time, the well that had been attached to the rig has continued to spill oil into the Gulf of Mexico. Though BP has attempted to stop the spill using a variety of methods, the company has thus far been unable to seal the leak or substantially contain the damage. While precise damage from the spill cannot be accurately estimated in the short term, news sources and investigators estimate that somewhere between 1,000 and 100,000 barrels of oil are leaked per day.[21]

On April 30th, 2010, in a dramatic response to the unprecedented disaster,[22] President Obama imposed a stay on deepwater drilling until the exact cause of the explosion could be determined.[23] Although there has been much speculation about the source of the explosion and the failures to stop the spill, many analysts have opined that the proximate causes of the *Deepwater Horizon* disaster were “gross negligence or willful misconduct.”[24] One *Washington Post* writer noted that “[n]ot only did BP take shortcuts during the drilling of the well and ignore warning signs in the final few weeks before it blew, but it has repeatedly botched the cleanup effort and engaged in ham-handed tactics to keep the media in the dark.”[25] Nonetheless, one month later, the secretary of the Interior announced a moratorium on all exploratory offshore drilling.

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[12] National Ocean Industries Association (NOIA) (available at http://www.noia.org/website/article.asp?id=123); Rick Jervis, William M. Welch and Richard Wolf, Worth the risk? Debate on offshore drilling heats up, *USA Today*, Jul. 14, 2008 (available at http://www.usatoday.com/money/industries/energy/2008-07-13-offshore-drilling_N.htm).

[13] Id.

[14] National Ocean Industries Association (NOIA).

[15] Outer Continental Shelf (OCS): Supplies, Bans, and Natural Seeps, Institute for Energy Research (IER), (available at http://www.instituteforenergyresearch.org/cleaning-up-the-environment-one-more-reason-to-develop-the-outer-continental-shelf/); Offshore Drilling and Exploration, The *New York Times*, (discussion available at http://topics.nytimes.com/top/reference/timestopics/subjects/o/offshore_drilling_and_exploration/index.html?scp=1-spot&sq=offshore%20drilling&st=cse) [hereinafter Offshore Drilling and Exploration.]. [Some sources put the exact date in 1982.]

[16] Id.

[17] Offshore Drilling and Exploration, supra.

[18] Outer Continental Shelf (OCS): Supplies, Bans, and Natural Seeps, Institute for Energy Research (IER).

[19] John M. Broder, Obama to Open Offshore Areas to Oil Drilling for First Time, The *New York Times*, Mar. 30, 2010 (available at http://www.nytimes.com/2010/03/31/science/earth/31energy.html).

[20] Offshore Drilling and Exploration, supra.

[21] Deborah Zabarenko, Hustle and flow: how much oil is really gushing? *Reuters*, Jun. 25, 2010, (available at http://www.reuters.com/article/idUSTRE65O3C720100625).

[22] In 1969, an offshore platform explosion off the coast of Santa Barbara occurred. Approximately three million gallons of crude oil spilled from the cracks in the channel floor. The explosion was caused by a crack at the bottom of the Santa Barbara Channel. Darren Hardy, 1969 Santa Barbara Oil Spill http://www2.bren.ucsb.edu/~dhardy/1969_Santa_Barbara_Oil_Spill/Home.html.

[23] Timeline: Gulf of Mexico oil spill, *Reuters*, Jun. 28, 2010 (available at http://www.reuters.com/article/idUSTRE65R42W20100628?loomia_ow=t0:s0:a49:g43:r1:c0.197842:b35266052:z).

[24] Edward Tan and John E. Morris, The Drill: Et Tu, Anadarko?, *Wall Street Journal*, Jun. 22, 2010 (available at http://online.wsj.com/article/BT-CO-20100622-703614.html?mod=WSJ_latestheadlines).

[25] Brendan Borrell, Which oil companies are more eco-friendly than the rest, The *Washington Post*, Jun. 29, 2010 (available at http://www.washingtonpost.com/wp-dyn/conte nt/article/2010/06/28/AR2010062803812.html).

"Some findings implicate the 'use of a less robust well design, failure to anchor the well's casing using a process recommended under industry practices and cutting short procedures to ensure cementing was sound.'"

A. The Gulf Oil Spill

The spill began on April 20th, 2010 with an explosion on Transocean's *Deepwater Horizon* oil drilling rig. The explosion is reported to have been the culmination of poor communication, planning, and management by Transocean's leasing partner, BP. Transocean was "under contract with [BP] to drill an exploratory well."[26] In preparation for converting the well from exploration to commercial production, BP and Transocean were planning to temporarily close the well. On the day of the explosion, BP's site manager and the Transocean team met to discuss the future of the rig but did not disclose the precise details of their decision.[27] Halliburton was contracted to perform some repairs necessary for the reopening of the well, and had completed cementing "of casings in the well less than 24 hours prior to the accident."[28] Two days after the explosion, BP sent two remotely operated vehicles (ROVS) to investigate the damage and determined that there were two oil leaks at approximately 5,000 feet below sea level.

Over the past three months, BP and the U.S. government have worked on mechanisms to stop the well from dumping oil into the Gulf. Additionally, lawmakers have been attempting to decipher how such a disaster was permitted to occur.[29] Some findings implicate the "use of a less robust well design, failure to anchor the well's casing using a process recommended under industry practices and cutting short procedures to ensure cementing was sound."[30] By all accounts, the decision to use Halliburton's cementing method and create shortcuts in preparing the well for production was not in compliance with best practices. In preparation for the cementing, Halliburton even indicated that the well may have gas-flow issues.[31] Although investigations are still pending, by some accounts, BP appears to have chosen a riskier option for the design of the well to reduce costs, thereby putting the well in a precarious position even before the explosion.[32]

B. The White House Moratorium on Offshore Drilling and Exploration

The federal government's response to the *Deepwater Horizon* incident has been to block exploratory drilling in the region. However, the all-encompassing moratorium seems misguided given the primary allegations of disregard for best practices on the part of the involved parties as the proximate cause of the disaster. Instead, the overly-broad and unwarranted moratorium needlessly imposes economic costs on an already distressed region and a nation in recession.

Despite the prevailing public perception that the fault for the spill was attributable solely to negligent conduct by a small number of firms, the Obama administration ultimately imposed a six-month moratorium on all deepwater drilling projects,[33] citing the need to better understand what caused the accident before other endeavors can be considered safe.[34] The moratorium leaves already-producing rigs unaffected but would freeze 33 exploratory drilling projects and suspend the

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[26] Alton Parrish, Timeline of Events in BP Oil Spill: Day by Day, April 20 to May 26, Before It's News, May 27, 2010 (available at http://beforeitsnews.com/news/50/386/Timeline_of_Events_in_BP_Oil_Spill:_Day_by_Day,_April_20_to_May_26.html) [hereinafter Parrish (May 27, 2010).

[27] BP, Transocean argues well plans before rig blast, CNN, May 26, 2010, (available at http://www.cnn.com/2010/US/05/26/oil.spill.investigation/index.html).

[28] Parrish (May 27, 2010), supra.

[29] "The more I learn about this accident, the more concerned I become. This catastrophe appears to have been caused by a calamitous series of equipment and operational failures. If the largest oil and oil services companies in the world had been more careful, 11 lives might have been saved and our coastlines protected." See Hearing on 'Inquiry into the Deepwater Horizon Gulf Coast Oil Spill' Before the Subcomm. On Oversight and Investigations Comm. on Energy and Commerce, 111th Cong. (May 12, 2010) (opening statement by Rep. Waxman, Chairman, Comm. on Energy and Commerce).

[30] Jeff Plungis. BP Raised Risks at 'Nightmare' Well, Lawmakers Say (Update 1), *Bloomberg–BusinessWeek*, Jun. 15, 2010, (available at http://www.businessweek.com/news/2010-06-15/bp-raised-risks-at-nightmare-well-lawmakers-say-update1-.html).

[31] Id.

[32] Matthew Daly and Ray Henry, Documents: BP cut corners in days before blowout, *Associated Press*, Jun. 14, 2010 (available at http://news.yahoo.com/s/ap/20100614/ap_on_bi_ge/us_gulf_oil_spill).

[33] Secretary of the Interior Ken Salazar recommended "a six-month moratorium on permits for new wells being drilled using floating rigs. The moratorium would allow for implementation of the measures proposed in this report and for consideration of the findings from ongoing investigations, including the bipartisan National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling. The Secretary further recommends an immediate halt to drilling operations on the 33 permitted wells, not including the relief wells currently being drilled by BP, that are currently being drilled using floating rigs in the Gulf of Mexico." (Increased Safety Measures for Energy Development on the Outer Continental Shelf, Department of the Interior, 3).

issuance of new permits, leaving time for investigations to be completed.[35] Secretary of the Interior Ken Salazar explained:

> The six-month moratorium on deepwater drilling will provide time to implement new safety requirements and to allow the Presidential Commission to complete its work. Deepwater production from the Gulf of Mexico will continue subject to close oversight and safety requirements, but deepwater drilling operations must safely come to a halt. With the BP oil spill still growing in the Gulf, and investigations and reviews still underway, a six-month pause in drilling is needed, appropriate, and prudent.[36]

A federal judge in New Orleans blocked the enforcement of this initial moratorium on June 22nd, 2010, citing a lack of basis for the regulation.[37] In response, the Obama administration issued a new moratorium on July 12th, 2010.[38] When asked about the differences between the two moratoriums, the Department of Interior stated,

> Like the deepwater drilling moratorium lifted by the district court on June 22nd, the deep-water drilling suspensions ordered today apply to most deep-water drilling activities and could last through November 30th. The suspensions ordered today, however, are the product of a new decision by the secretary and new evidence regarding safety concerns, blowout containment shortcomings within the industry, and spill response capabilities that are strained by the BP oil spill.[39]

The effective result of the reissued moratorium is that the original moratorium is renewed, so there is still a six-month moratorium. There were, however, several new provisions which include: 1) the moratorium is not based on drilling depth, but rather on the basis of drilling configurations and technologies; and 2) the new moratorium includes all floating facilities.[40] Regardless, the effective result is that there is currently an ongoing six-month moratorium on deepwater drilling.

“The effective result of the reissued moratorium is that the original moratorium is renewed, so there is still a six-month moratorium.”

Unfortunately, the moratorium is not economically viable for the Gulf region and it imposes significant economic harm upon the rest of the U.S. Sections IV and V, therefore, discuss in detail the economic implications of this decision.

III. OFFSHORE OIL PRODUCTION STIMULATES DIVERSE ONSHORE ECONOMIES

Offshore oil production benefits federal, state, and local onshore economies. Broadly speaking, there are three “phases” of development that contribute to state economic growth: (1) the initial exploration and development of offshore facilities; (2) the extraction of oil reserves; and (3) the refining of crude oil into finished petroleum products. Businesses that support those phases are prevalent in the sections of the Gulf of Mexico that are currently open to offshore drilling. With regard to the exploration and development stage, the U.S. shipbuilding industry, for example, has a strong presence in the Gulf region and benefits significantly from initial offshore oil exploration efforts.[41] This early phase requires specialized exploration and drilling vessels, floating drilling rigs, and miles and miles of steel pipe, as well as highly–educated and specialized labor to staff the efforts; thus, the jobs and businesses involved in the production of these inputs are supported by offshore drilling.

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[34] Charlie Savage, Drilling Ban Blocked; US Will Issue New Order, The *New York Times* (available at http://www.nytimes.com/2010/06/23/us/23drill.html?scp=1&sq=offshore%20drilling%20moratorium&st=cse).
[35] Id.
[36] Press Release, U.S. Department of the Interior, Interior Issues Directive to Guide Safe, Six-Month Moratorium on Deepwater Drilling, May 30, 2010, (available at http://www.doi.gov/news/pressreleases/Interior-Issues-Directive-to-Guide-Safe-Six-Month-Moratorium-on-Deepwater-Drilling.cfm).
[37] Deepwater Ban Lifted by Judge, supra.
[38] Press Release, U.S. Department of the Interior, Interior Issues New Suspensions to Guide Safe Pause on Deepwater Drilling, Jul. 12, 2010.
[39] Greenspace, Gulf Oil Spill: New Moratorium Explained, LA Times Blog, Jul. 12, 2010 (available at http://latimesblogs.latimes.com/greenspace/2010/07/gulf-oil-spill-new-moratorium-explained.html).
[40] Press Release, U.S. Department of the Interior, Interior Issues New Suspensions to Guide Safe Pause on Deepwater Drilling, Jul. 12, 2010.
[41] U.S. Department of Commerce, Bureau of Export Administration, U.S. Shipbuilding and Repair, National Security Assessment (003-009-00719-4), at 9 (“In some niches, however, the United States currently has a significant world market share based mostly on domestic sales. These niches include offshore oil platforms, yachts, fast patrol boats, and recreational vessels,” a preponderance of which are produced in the Gulf Coast region).

Along with production, onshore personnel work on the oil extraction phase as well. A recent report prepared for the U.S. Department of Energy indicates that Louisiana's economy is "highly dependent on a wide variety of industries that depend on offshore oil and gas production,"[42] and that offshore production supports onshore production in the chemicals, platform fabrication, drilling services, transportation, and gas processing industries.[43] Fleets of helicopters and U.S.-built vessels also supply offshore facilities with a wide range of industrial and consumer goods, from industrial spare parts to groceries.

The economic benefits produced by the refining phase are even more widespread than the effects of the two preceding phases. Although capacity is largely concentrated in California, Illinois, New Jersey, Louisiana, Pennsylvania, Texas, and Washington, additional U.S. refining capacity exists throughout the country.[44] As a result, refinery jobs, wages, and tax revenues are more likely to "spill-over" into other areas of the country, including non-coastal states like Illinois.

The economic benefits to coastal and state communities from offshore drilling are substantial. The Associated Press reports that offshore workers from Louisiana, for example, "frequently earn $50,000 a year or more."[45] One in three jobs in coastal Louisiana "is related to the oil and natural gas industry [and] many of the workers earn between $40,000 and $100,000 a year."[46] Louisiana alone could lose up to 10,000 jobs in only a few months.[47] The state of Louisiana estimates that oil and gas production, primarily from the Gulf, supports $12.7 billion in household earnings, "representing 15.4 percent of total Louisiana household earnings in 2005."[48]

The moratorium would put a halt to training new workers and cut jobs for workers already employed within the offshore industry. Additionally, offshore workers that lose their jobs due to the moratorium would receive only a fraction of their wages in unemployment benefits. This will directly affect local businesses, many of which were already weakened by Hurricane Katrina in 2005 and Hurricane Gustav in 2008. Some companies in Louisiana, for example, are already worried that after taking on "heavy debts after Hurricane Katrina [they] may not [be] able to take on additional loans."[49]

In response, President Obama asserted that the Small Business Administration "has stepped in to help businesses by approving loans [and] allowing many to defer existing loan payments."[50] This demonstrates a key understanding by the current administration that small businesses in the Gulf will be hit significantly by the moratorium. Additionally, it is unclear how much the approval and deferment of loans will mitigate the substantial losses taken by small businesses in the Gulf. Indeed, a far simpler solution would be to withdraw the moratorium and allow businesses to operate normally.

Wood Mackenzie Research and Consulting's findings about the impact of a six-month moratorium illustrate the extent to which the offshore industry contributes to local and state economies in the nation. Their research shows that as many as 1,400 workers would be left without jobs, and as many as 46,200 jobs, both on–and offshore, would go idle if the 33 drilling platforms were shut down.[51] The report goes on to say that as many as 120,000 jobs could be lost by 2014. Louisiana would lose 3,000 to 6,000 jobs alone in "the first two to three weeks and potentially more than 20,000 Louisiana jobs within the next twelve to eight months."[52]

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[42] Advanced Resources International, Inc., Basin Oriented Strategies for CO2 Enhanced Oil Recovery: Offshore Louisiana, Prepared for the U.S. Department of Energy, Mar. 2005, at EX-1.

[43] Id. ("For example, Louisiana is the third largest consumer of natural gas in the U.S., and a large number of chemical industry jobs in Louisiana are highly dependent on the continued availability of adequate volumes of moderately priced natural gas. Moreover, offshore oil and gas production operations support a vast spectrum of other activities in the state, including platform fabrication, drilling and related services, offshore transport and helicopter operations, and gas processing.").

[44] See Table A1 in the Appendix, infra.

[45] Cain Burdeau, Rig workers job hunt after drill ban, Associated Press for MSNBC, June 18, 2010, (available at http://www.msnbc.msn.com/id/37762247/ns/business-us_business/).

[46] Stephen C. Fehr, Gulf states fear long-term fiscal effects of oil disaster, *Stateline,* Jun. 24, 2010 (available at http://www.stateline.org/live/details/story?contentId=493859); Press Release, Just The Facts: Drilling Moratorium's Impact on Louisiana's Families and Economy, Government of Louisiana, Jun. 14, 2010 (available at http://emergency.louisiana.gov/Releases/06142010-moratorium.html) [hereinafter Just the Facts].

[47] The projected employment loss forecasted by my analysis is lower that the estimates presented in this section. The likely reason for this is that my assessment is conservative. For instance, I assume the period of loss from the moratorium is only six months, while the Louisiana Department of Economic Development assumes that the period of loss will be 12 to 18 months. Section VI, subsection F outlines some of the ways in which my analysis may create a lower bound for loss.

[48] Just the Facts, supra.

[49] Louisiana's economic hurt from drilling moratorium warrants action: An editorial, The *Times-Picayune*, Jun. 8, 2010 (available at http://www.nola.com/news/gulf-oil-spill/index.ssf/2010/06/louisianas_economic_hurt_from.html).

[50] President Barack Obama, Remarks by the President After Briefing on BP Oil Spill, The White House, May 28, 2010, (transcript available at http://www.whitehouse.gov/the-press-office/remarks-president-after-briefing-bp-oil-spill).

In addition to onshore businesses, smaller oil companies that stimulate the economy of the region will be crippled by the moratorium. Offshore drilling has helped develop the oil industry around the country by encouraging smaller companies to compete for business with larger players. The *Wall Street Journal* reports that the oil industry in the Gulf of Mexico was largely developed by relatively small oil and gas companies.[53] In the early 1990s "relatively small players like Kerr-McGee, Ocean Energy and Unocal were acquiring acreage in deep water; their finds helped prove the Gulf's worth to bigger brethren like Chevron, Devon Energy Corp. and Anadarko Petroleum Corp., which later bought these companies at a premium."[54] New generations of companies have started exploratory offshore businesses in the Gulf. Cobalt International Energy, for example, is already experiencing delays in its business because the "U.S. government moratorium on drilling would delay the planned drilling of an exploratory well in the Gulf by six months."[55]

IV. THE RIMS II MODEL CAN BE USED TO MEASURE THE ECONOMIC IMPACT OF THE MORATORIUM

As discussed in the previous section, onshore state and local economies benefit from offshore oil production by receiving compensation and economic benefit from providing goods and services to offshore oil and gas extraction sites. Onshore communities provide all manner of goods and services required by offshore oil and gas extraction. A variety of industries are involved in this effort: shipbuilders provide exploration vessels, permanent and movable platforms, and resupply vessels; steelworkers fashion the drilling machinery and specialized pipes required for offshore resource extraction; accountants and bankers provide financial services; and other onshore employees provide groceries, transportation, refining, and other duties. These onshore jobs, in turn, support other jobs and other industries (such as retail and hospitality establishments).

The statistical approach known as an "input-output" analysis can be used to measure the economic effects associated with a particular development project, or in this case a production stoppage. This approach, pioneered by Nobel Prize winner Wassily Leontif, has been refined by the U.S. Department of Commerce in the form of the Regional Input-Output Modelling System, or "RIMS II". The RIMS II model provides a variety of multipliers that measure how a plant shutdown or slowdown would affect local and regional economies, accounting for the elimination of jobs, decreases in wages, and the drain on potential government revenues. This analysis focuses on the negative direct *and* indirect effects associated with placing a moratorium on offshore drilling.

The RIMS II model is the standard method that governmental authorities use to evaluate the benefits associated with an economic development project. According to the Commerce Department, the RIMS II model has been used to evaluate the economic effects of many projects, including: opening or closing military bases, tourist expenditures, new energy facilities, opening or closing manufacturing plants, shopping malls, sports stadiums, and new airport or port facilities.[56] State and local governments have also used the RIMS II model to perform economic analyses.

"This analysis focuses on the negative direct and indirect effects associated with placing a moratorium on offshore drilling."

[51] Kimberly Morin, GOP Senator introduces bill to terminate Obama's economy killing drilling moratorium, *The Examiner*, Jun. 17, 2010 (available at http://www.examiner.com/x-9100-Boston-Conservative-Independent-Examiner~y2010m6d17-GOP-Senators-introduce-bill-to-terminate-Obamas-economy-killing-drilling-moratorium).
[52] Id, citing the Wood MacKenzie Research and Consulting report. Section VI, Subsection F outlines some reasons for why my analysis predicts lower job loss projections.
[53] Angel Gonzalez, Stiffer Costs, Rules in Gulf Will Squeeze Smaller Players, The *Wall Street Journal*, Jun. 22, 2010 (available at http://online.wsj.com/article/SB10001424052748704256304575321104202428906.html) [hereinafter Stiffer Costs, Rules in Gulf].
[54] Id.
[55] Id.

The Bureau of Economic Analysis (BEA) RIMS II model provides multipliers that allow researchers to estimate the comprehensive effect on output, income, or employment as a result of changes to product outputs ("final-demand").[57]

Thus for these figures, I consider that the moratorium will prevent oil and natural gas from reaching the market and halt operation for 33 deepwater rigs.[58] According to the Louisiana Mid-Continent Oil and Gas Association (crediting Wood Mackenzie), 80,000 barrels of oil equivalent (both oil and natural gas) a day will not go to market as a result of the moratorium. [59] This equals 2.4 million barrels a month, and 14.6 million barrels during the six-month moratorium. I assume that the moratorium only lasts for six months, and that, after this point, the lost production will resume (thus this estimate may be conservative). This figure can be converted to a dollar value by applying the appropriate price.

Three final sets of demand multipliers are applied to the production loss estimate. First, BEA output multipliers measure the total decrease in economic activity—including the effect on all other industries—resulting from $1 of loss of industrial activity in a particular geographic region.[60] Next, BEA earnings multipliers measure the decrease in wages resulting from a $1 loss of industrial activity.[61] Finally, BEA employment multipliers measure the decrease in employment (in full-time equivalent jobs) associated with a $1,000,000 decrease in industrial activity.[62] For example, in Texas the oil and gas extraction output multiplier is 2.0721, the wage multiplier is 0.5085, and the employment multiplier is 8.2985. Thus, a loss of $1 million of oil and natural gas extraction translates into a loss of $2,072,100 in annual output, $508,500 in annual wage income, and approximately 8.3 additional full-time jobs for the year. The direct effect associated with the loss of oil and natural gas production varies by state. The same $1 million loss in production in Louisiana, for example, translates into a loss of $1,793,200 in output, $407,900 in wage income, and approximately 6.8 full-time jobs for the year.

The time period over which this loss is felt has been subject to much debate. In most cases, the BEA considers one year to be the horizon over which its multipliers will achieve full effect.[63] For our purposes, I assume that each BEA multiplier measures the changes that are expected to occur within one year.[64]

To determine the economic effect of a moratorium on deepwater oil and natural gas drilling, the BEA multipliers for "Oil and Natural Gas Extraction" are used (see Appendix Tables A2 and A3). The multipliers are available at the county level, but since I am interested in a broader range of effects, state and national multipliers are used in this paper. In the following sections, these multipliers are applied to production loss estimates to determine the state-by-state, and overall effects of the deepwater drilling moratorium on the Gulf economy.

V. PRESENT OFFSHORE OIL AND GAS RESERVE ESTIMATES

As stated above, to determine the economic effect of the moratorium on offshore oil and gas production on Gulf States, it is necessary to the estimate the lost production of oil and natural gas for each state as a result of the moratorium. The Louisiana Mid-Continent Oil and Gas Association (crediting Wood Mackenzie) stated in a recent report that 80,000 barrels of oil equivalent (both oil and natural gas) a day will not go

[56] See U.S. Department of Commerce, Bureau of Economic Analysis, Brief Description: Applications of RIMS II (available at http://www.bea.gov/bea/regional/rims/brfdesc.cfm).

[57] See Everett Ehrlich, Steven Landefeld & Betty Barker, Regional Multipliers: A User Handbook for the Regional Input-Output Modeling System (RIMS II), U.S. Department of Commerce, Third Edition, at 3 (Mar. 1997). ("If the user can estimate the change in final demand in the initially affected industry, the user can estimate the impact on output, earnings, or employment on the basis of final-demand multipliers.") [hereinafter Rims II Handbook].

[58] My calculations are based on the provisions of the original moratorium, and do not include additional provisions provided by the July 12th moratorium. As such, my estimates are conservative.

[59] Katherine Schmidt, Oil Industry Predicts Damage to Economy (80,000 bpd says Wood Mackenzie), *Investor Village*, Jun. 4, 2010 (available at http://www.investorvillage.com/smbd.asp?mb=14535&mid=9098568&pt=msg) [hereinafter Oil Industry Predicts Damage].

[60] RIMS II Handbook, supra, at 3, ("In this [final demand output multiplier] table, each column entry indicates the change in output in each row industry that results from a $1 change in final demand in the column industry. The impact on each row industry is calculated by multiplying the final-demand change in the column industry by the multiplier for each row.") [hereinafter Rims II Handbook].

[61] See Id. ("In this [final demand earnings multiplier] table, each column entry indicates the change in earnings in each row industry that results from a $1 change in final demand in the column industry. The impact on each row industry is calculated by multiplying the final-demand change in the column industry by the multiplier for each row.").

[62] See Id. at 4 ("In the final-demand employment multiplier table, each column entry indicates the change in employment in each row industry that results from a $1 million change in final demand in the column industry. The impact on each row industry is calculated by multiplying the final-demand change in the column industry by the multiplier for each row.").

[63] RIMS II Handbook, supra, at 8 ("RIMS II, like all I-O models, is a "static equilibrium" model, so impacts calculated with RIMS II have no specific time dimension. However, because the model is based on annual data, it is customary to assume that the impacts occur in 1 year. For many situations, this assumption is reasonable.").

[64] Id., ("RIMS II, like all I-O models, is a 'static equilibrium' model, so impacts calculated with RIMS II have no specific time dimension. However, because the model is based on annual data, it is customary to assume that the impacts occur in 1 year.").

to market as a result of the moratorium. This equals 2.4 million barrels a month, and 14.6 million barrels during the six – month moratorium.[65]

I take a two-step approach to estimate state-by-state production in the Gulf of Mexico (GOM). First, GOM production figures are apportioned to the GOM coastline states by assuming that a state's share of oil and gas reserves (and hence the benefits of utilizing those reserves) is proportional to its share of the GOM production. Then, the dollar value of state production is estimated by applying the current prices of oil and gas to each state's share.

It is reasonable to assume that a state's production is tied to its available reserves, and by association the state's proximity to oil. The analysis of economic impact, therefore, hypothesizes that the economic benefits associated with offshore oil and natural gas production accrue onshore firstly in the local communities that provide the most convenient labor, materials, and support services for offshore production. Thus, to apportion total production to the GOM states, I use each state's share of the total oil and natural gas reserves in the GOM. In a previous paper, I calculated each state's share of total oil and natural gas reserves, and I use those estimates to apportion production in the current analysis.[66] Table 2 presents the result of this calculation. Louisiana stands to lose the most in terms of production, followed by Texas, Alabama, and Mississippi.

To quantify the monetary loss, I use the U.S. Energy Information Administration's (EIA) latest price forecasts from the Short Term Energy Outlook July 7, 2010. The report indicates that for the second half of 2010, the average price of oil will be $79 per barrel. The value of each state's production is calculated as its share of available GOM offshore oil production times $79.00 per barrel.[67] At this price, the production losses apportioned to coastal states have the dollar values reported in Table 2 below.

TABLE 2

Estimated Six-Month Production Loss Of Oil Equivalent Barrels In the GOM

State	Mbbl	$ Millions
Texas	3,801	$300
Alabama	1,162	$92
Mississippi	965	$76
Louisiana	8,704	$688
Total	**14,632**	**$1,156**

Sources: The Louisiana Mid-Continent Oil and Gas Association (citing Wood Mackenzie); U.S. Energy Information Administration, Short Term Energy Outlook, July 2010; Joseph R. Mason, The Economic Contribution of Increased Offshore Oil Exploration and Production to Regional and National Economies, American Energy Alliance (Feb. 2009).

VI. DECREASED INVESTMENTS IN OFFSHORE OIL AND GAS PRODUCTION WILL CAUSE SUBSTANTIAL LOSSES IN WAGES AND, EMPLOYMENT, AND WILL HAVE PROFOUND EFFECTS ON COMMUNITIES THROUGHOUT THE GULF

In the following sections, the BEA multipliers for "Oil and Natural Gas Extraction" are applied to the previously discussed estimates of production loss (see Appendix Tables A2 and A3). Section A explains the effect of the moratorium on both the Gulf states and total U.S. economic output. Section B quantifies the effect of the moratorium on employment (a particularly salient topic given the current unemployment woes of many Americans). Section C explains the negative impact of the moratorium on wages. Section D explains the negative impact of a moratorium on local, state, and federal tax revenues. These analyses paint a bleak picture of the economic impact of the moratorium. Further, as is shown in Section E, the analyses do not even consider a

[65] Oil Industry Predicts Damage, supra.

[66] In a previous paper, I apportioned OCS Planning Area reserves—and the local economic benefits associated with exploiting those reserves—by each state's share of the ocean coastline bordering an OCS Planning Area. Based on that allocation, the percentage of loss in this study allocated each state would be: LA: 59%; MS: 6%; AL: 7%; TX: 25%; FL: .01%. See Joseph R. Mason, The Economic Contribution of Increased Offshore Oil Exploration and Production to Regional and National Economies, American Energy Alliance, Feb. 2009.

[67] U.S Energy Information Administration (EIA), *Short Term Energy Outlook*, July 2010.

number of loss factors, such as rigs not coming back to the GOM after leaving or the loss of economic benefits as a result of investment in exploration.

In no way are these figures meant to be definitive. Instead, the estimates presented represent a reasonable approach to assessing the economic impact of a deepwater drilling moratorium.

A. The Six-Month Moratorium on Offshore Drilling Activity Will Cost More than $2.7 Billion in Economic Activity Nationwide, and $2.1 Billion in Gulf Communities

The broadest measure of the incremental effect of the moratorium is the effect on total economic output. As discussed earlier, GDP and GSP represent the two main measures of output. The BEA's final demand output multipliers can be used to perform a RIMS II analyses. The multipliers are applied to the production estimates in Table 2 to determine the expected total decrease in output as a result of the moratorium. The production loss estimate is used to measure the change in demand. In total, the loss in output can be expected to over $2.1 billion in the Gulf states, $2.7 billion nationwide.

Using the production estimates from Table 2 and the BEA multipliers in Table A2, the estimated decrease in economic output based on the estimated oil and natural gas production is presented in Table 3. It is important to note, that the multipliers in this table only provide the decrease in output that *is generated at the same location as the decrease in production.* As an integrated economy, however, output in one state is tied to output in other states. For example, the oil and natural gas produced in Louisiana may be used as an input to production in Illinois or Pennsylvania. These effects may be considered "spill-over" effects because they spread from one location to another location. Using the individual multiplier for Louisiana would thus under-report the total loss associated with a moratorium in Louisiana. Comparing the total U.S. result to the additive total of the output decreases in the individual Gulf states, suggests that there are over $659 million dollars in lost spillover effects from the moratorium.

TABLE 3
Decrease in Output From the Six-Month Moratorium on Deepwater Drilling

State	GSP/GDP ($ Mil)
Texas	-$622
Alabama	-$138
Mississippi	-$117
Louisiana	-$1,233
Total GOM	**-$2,110**
United States	**-$2,769**
Spillover Effects	**-$659**

Source: Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis, U.S. Commerce Department; Production estimates from Table 2; Navigant Economics, LLC Calculations

B. The Six-Month Moratorium on Offshore Drilling Could Cost Thousands of Jobs

The moratorium on deepwater oil drilling would also result in the loss of thousands of jobs, not only on the various oil rigs, but also in associated industries. The Louisiana Department of Economic Development estimates a loss of 10,000 jobs within a few months after the moratorium.[68] Moreover, they predict that the state "risks losing more than 20,000 existing and potential new jobs during a 12 to 18 month period." [69] The analysis below offers an alternative estimate for employment losses based on the RIMS II model. My results are slightly more conservative, because I only estimate the period of loss to be six months. As before, effects are calculated using estimated state-level production losses.

1. BEA Multiplier Analysis

As presented above, this analysis estimates the total economic effects associated with stopping deepwater drilling. Using the BEA's final-demand employment multipliers (denominated in job-years per $1 million change in final demand) in Table A2 and the estimated production loss in Table 1 yields the expected losses in employment in Table 4. The decrease in employment is estimated to be 8,169 full-time jobs in the GOM. Louisiana alone stands to lose 4,719 full time jobs. Nationwide, there will be an estimated loss of 12,046 jobs.

[68] Just the Facts, supra.
[69] Id.

TABLE 4

Decrease in Employment from the Six-Month Moratorium on Deepwater Drilling

State	Jobs Lost
Texas	-2,492
Alabama	-527
Mississippi	-432
Louisiana	-4,719
Total GOM	-8,169
United States	-12,046
Spillover Effects	-3,877

Source: Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis, U.S. Commerce Department; Production estimates from Table 2; Navigant Economics Calculations.

These projections are lower than those presented by other studies because I estimate the period of new production loss to be only six months. However, if we were to extend the loss in new production in our model to the 18 months assumed by other sources, we would see a loss of 36,137 jobs nationally, 24,532 jobs lost in the GOM, and 14,156 jobs lost in Louisiana. These estimations are more in line with the projections presented in Section III by the Louisiana Department of Economic Development and Wood Mackenzie Consulting.

The state-level BEA multipliers do not account for decreases in employment outside of the state. As a result, jobs lost in one state because of the deepwater drilling being halted in another state are omitted from the totals. Again, comparing the nationwide jobs lost to the additive total of the state job losses, yields a spillover effect of 3,877 jobs lost for the year spanning the moratorium period.

2. Evaluation of the Types of Employment Loss

The BEA data can also be used to analyze the types of employment that would be lost by a moratorium on deepwater drilling. The production stoppage throughout the nation will result in job loss in the ancillary industries that support the oil industry, and cause instability for thousands of Americans already coping with a turbulent economic climate. Further, oil producers will reduce their investment in local economies as rigs are moved or shut down.

Oil companies have a great incentive to invest in local communities to improve the quality of life for their employees and attract talent to their offices and rigs. Shell, for example, started a Center for Petroleum Workforce Development at their training center in 2006. The joint venture between the state of Louisiana, Louisiana State University and Shell, made the center "available to the entire industry" in hopes of encouraging oil and gas employees from around the world to develop their skills.[70] As production decreases and rigs and offices are shut down or moved, the incentive for investments such as those spurred on by Shell will evaporate.

For this analysis, the losses are broken down using specific BEA multipliers for each industry (see Table A3), that determine which industries will stand to lose the most from the moratorium on deepwater drilling. Table 5 reports the expected total losses in employment.

TABLE 5

Decrease in Employment from the Six-Month Moratorium on Deepwater Drilling, by Sector

Job Sector	Texas	Alabama	Mississippi	Louisiana	Total GOM	United States	Spillover Effects
Agriculture, forestry, fishing, and hunting	-24	-3	-3	-29	-60	-185	-125
Mining	-597	-168	-139	-1,230	-2,133	-2,390	-257
Utilities	-10	-2	-2	-24	-39	-49	-10
Construction	-15	-3	-2	-28	-49	-77	-28
Manufacturing	-96	-24	-19	-141	-279	-707	-428
Wholesale trade	-67	-15	-10	-130	-223	-353	-130
Retail trade	-254	-54	-48	-510	-865	-1,194	-329
Transportation and warehousing	-77	-13	-11	-134	-236	-427	-192
Information	-35	-6	-4	-58	-103	-208	-105

[70] "In 2006, Louisiana announced the creation of the Center for Petroleum Workforce Development at Shell Oil Company's Robert, La., training center – the result of a joint venture agreement among the State of Louisiana, Louisiana State University and Shell by Developing the center and making it available to the entire industry, the replacement rate of trained employees will increase. The center's training concept is to have oil companies hire and send employees from all over the world to the Shell/LSU facility to obtain the highest training level possible. This process will ensure a supply of highly trained and skilled personnel. It will also help develop a long-lasting, satisfying career path for workers in the industry." See Oil & Gas Industry of Louisiana: Exploration and Production, Louisiana Economic Development (LED), at 3.

TABLE 5 *(cont.)*

Job Sector	Texas	Alabama	Mississippi	Louisiana	Total GOM	United States	Spillover Effects
Finance and insurance	-130	-19	-14	-150	-313	-639	-326
Real estate and rental and leasing	-178	-26	-16	-317	-537	-819	-281
Professional, scientific, and technical services	-148	-24	-16	-233	-421	-759	-338
Management of companies and enterprises	-23	-5	-7	-86	-121	-194	-73
Administrative and waste management services	-135	-22	-13	-207	-377	-706	-329
Educational services	-74	-19	-17	-150	-260	-321	-60
Health care and social assistance	-277	-56	-50	-591	-974	-1,270	-296
Arts, entertainment, and recreation	-34	-4	-4	-68	-110	-243	-133
Accommodation and food services	-169	-36	-33	-352	-590	-825	-234
Other services	-124	-24	-20	-252	-420	-610	-190
Households	-24	-3	-3	-29	-59	-71	-12
Total	-2,492	-527	-432	-4,719	-8,169	-12,046	-3,876

Source: Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis, U.S. Commerce Department; Production estimates from Table 2; Navigant Economics Calculations.

These tables give a sense of the distribution of the jobs lost from the moratorium. A large portion of lost positions (approximately 38 percent) would be lost in high-skill fields, such as health care, real estate, professional services, manufacturing, administration, finance, education, the arts, information, and management. A sizable portion of job loss will obviously occur in mining (which includes oil and gas drilling) with these jobs accounting for over 26 percent of the total jobs lost in the Gulf area, and about 20 percent nationally.[71]

C. The Six-Month Moratorium on Offshore Drilling Will Cause Massive Wage Loss for Workers Already Hit by Recession

The moratorium will also cause a huge loss in wages for an already distressed workforce. Some analysts predict that this could mount to $65 to $135 million in wage losses per month.[72] The BEA multipliers allow an analysis of the effect of a moratorium on deepwater drilling on wages in affected states.

To estimate lost wages, the BEA's final demand earnings (wage) multipliers are applied to the production estimates. Table 6 presents the results. As the data indicates, the moratorium will result in well over $487 million in lost wages in Gulf states, over $707 million nationwide. The previously discussed, caveats regarding spill-over effects remain true for this wage analysis, with spill-over effects of $219 million in wages.

TABLE 6

Decrease in Earnings from the Six-Month Moratorium on Deepwater Drilling

State	$ Millions
Texas	-$153
Alabama	-$29
Mississippi	-$25
Louisiana	-$280
Total GOM	-$487
United States	-$707
Spillover Effects	-$219

Source: Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis, U.S. Commerce Department; Production estimates from Table 2; Navigant Economics Calculations.

[71] For a full listing of the jobs included in "Mining", see U.S. Census Bureau's 2007 NAICS Codes and Titles, (available at http://www.census.gov/naics/2007/NAICOD07.HTM).

[72] Gary Perilloux, Groups struggle to assess oil's impact, *WBRZ 2: The Advocate*, Jun. 29, 2010, [hereinafter Groups Struggle to Assess Oil's Impact].

D. The Moratorium will Cause the Loss of Millions of Dollars in Taxes and Other Public Revenues to Local, State, and Federal Governments

Decreased output, fewer jobs, and lost wages translate into lower tax collections and decreases in public revenues. The present analysis applies a broad measure of the total tax revenues (from all sources) that federal, state, and local governments will lose from the moratorium on deepwater drilling. The analysis, again using production loss, estimates that $97 million will be lost in state and local taxes.[73] This will translate into reduced investment in the local economy, schools, hospitals, and other necessary public services. Again, even absent current economic conditions, cash-strapped communities benefit significantly from the income that oil and natural gas production brings to the table. Taking away this income source could potentially deny communities access to resources necessary to provide important community projects.

In order to estimate the decrease in state and local tax revenue attributable to a moratorium on deepwater oil drilling, the analysis follows the approach outlined by the Federal Reserve Bank of Boston to determine annual state and local tax burdens as a share of GSP (see Table A4).[74] For each state and the District of Columbia, the state and local tax burden can be calculated by dividing annual state and local tax revenue by annual GSP. Data for state and local tax revenues are released by the U.S. Census Bureau annually with a two year lag. As such, the state and local tax burden calculations are based on the most recent available fiscal year, 2008.[75] Those data produce the average state and local tax burden in 2008 in each state. The effective tax burdens are applied to the production estimates. Table 7 presents the estimated losses in tax revenues. As before, the losses in tax revenues presented have the same caveats regarding "spill-over" revenues.[76] The estimates thus represent a lower bound on potential state and local tax revenues lost from a moratorium on deepwater oil drilling.

TABLE 7
Decrease in State and Local Tax Revenues from the Six-Month Moratorium on Deepwater Drilling

State	Decrease in State and Local Tax Revenues
Texas	-$22,843,972
Alabama	-$7,247,044
Mississippi	-$8,418,401
Louisiana	-$59,356,236
Total GOM	**-$97,865,652**

Sources: U.S. Census Bureau; Bureau of Economic Analysis; Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis, U.S. Commerce Department; Production estimates from Table 2; Navigant Economics Calculations

The decrease in economic activity resulting from a moratorium on deepwater oil drilling will also produce significant losses in federal tax revenues. According to the IRS, the average effective tax rate in the United States in FY2008 was 18.98 percent of GSP.[77] Applying this rate to the total oil and natural gas production loss ($1.16 billion) suggests that U.S. federal tax receipts would decrease by $219 million.[78]

In total, therefore, the moratorium can result in a loss of nearly $317 million. Dividing the loss equally among all U.S. taxpayers[79] yields an immediate cost of about $2.35 per taxpayer. These amounts represent net tax effects, and though they may seem modest when viewed on a national basis, they add an unnecessary burden to an already strained tax base, especially when focused on state and community tax revenues that are necessary to pay for local services.

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[73] Note that this analysis is conservative because it does not consider the state and local taxes produced from "spill-over" effects. These tax revenues cannot be accurately measured because spill-over output cannot be attributed to particular states. Because spill-over output is significant, however, my estimate significantly understates the total incremental state and local taxes that would be produced annually.

[74] Matthew Nagowski, Measures of State and Local Tax Burden, New England Public Policy Center, Federal Reserve Bank of Boston (Jul. 13, 2006), () (available at: http://www.bos.frb.org/economic/neppc/memos/2006/nagowski071306.pdf).

[75] Data pertain to period July 1, 2005 – June 30, 2006. U.S. Census Bureau, Federal State and Local Governments, State and Local Government Finances, 2005-2006 Estimate, (available at: http://www.census.gov/govs/www/06censustechdoc.html#fiscalyr).

[76] It is impossible to quantify these benefits because state and local taxes differ from state to state and because the BEA does not provide a means to allocate the spill-over revenues to particular states. To be conservative, the analysis estimates only the revenues that can be accurately assigned and measured.

[77] Department of the Treasury, Internal Revenue Service, SOI Tax Stats.- IRS Data Book: 2008, Table 5, (available at http://www.irs.gov/taxstats/article/0,,id=168593,00.html).

[78] GNO Inc. estimated that the moratorium "could cut state and local tax revenue by more $700 million over four years, accruing at a rate of $8 million to $15 million a month." See Groups Struggle to Assess Oil's Impact, supra.

[79] IRS, Tax Stats at a Glance, (available at http://www.irs.gov/taxstats/article/0,,id=102886,00.html).

E. Communities Nationwide will Suffer from Decreased Health, Education, Welfare, and Social Services

Communities around the Gulf and throughout the country will also suffer negative effects associated with decreased economic activity as a result of a moratorium. Those effects flow from the decrease in high-wage, high-skilled employment. For example, a ban on drilling may induce related industries, such as ship builders, to shut down operations. The loss of employees in these industries, in turn, would decrease community demand for health care, education, and other community services that are available to *all* residents (whether they are employed by the drilling facilities or not). Additionally, the resulting loss of tax revenues could cause a reduction in the availability of these services. The oil and gas industry represents a significant portion of the Gulf states' tax revenue. In 2006, "the oil and gas industry paid more than 14 percent of total state taxes, licenses and fees collected by the state of Louisiana…[which represents] a substantial portion of Louisiana's budget."[80]

The estimated decrease in employment in the health and education is but one indicator of the tertiary effects associated with the moratorium. As indicated in Table 5, a stoppage in oil and natural gas production would result in the loss of 974 health care providers and 260 teachers in the GOM states. Nationwide there would be a reduction of 1,270 health care providers and 321 teachers. This indicates that the spill-over effects of employments loss would be 296 health care providers and 60 teachers to states outside of the GOM. While employment and wage losses may seem palatable on a national scale, many of the job losses would be concentrated in small coastal towns like Port Fourchon, Louisiana (which is home to substantial resources serving Gulf of Mexico offshore production).[81] Indeed, in some communities the decrease in demand associated with lost jobs tied to offshore drilling moratorium may mean the difference between having a local hospital and school or not.

Coastal cities like Port Fourchon experienced significant growth in the last three decades tied to their central role in offshore oil and gas production.[82] Port Fourchon alone services half of all drilling rigs presently operating in the Gulf of Mexico.[83] Furthermore, current plans call for more than half of all new deep water drilling platforms in the Eastern and Central Gulf of Mexico to use towns like Port Fourchon as their service base.[84] Given the concentration of the deep water Gulf of Mexico operations at coastal communities, it is reasonable that the loss to this community from the moratorium will be substantial. Similar small communities stand to lose significantly as a result of the moratorium.

F. The Current Analysis is a Conservative Estimate of Loss

The current analysis presents a conservative estimate of economic loss caused by the moratorium. Several scenarios could cause actual losses to substantially exceed those offered here.

First, the current analysis considers the loss to continue only for six months, followed by a return to normal operations. It is possible, however, that the moratorium and/or its effects could last up to a year and half.[85] Until a final decision is made by the administration and the courts, it is hard to predict the scope of the losses for the Gulf region. Thus, the losses could in fact increase by a factor of 2 or 3.

Second, as stated earlier, the initial investment stage in oil and natural gas extraction produces many economic benefits. It is conceivable that some of these benefits will be deferred or simply lost as projects are delayed or moved.[86] As I discussed earlier the effects could be particularly detrimental towards smaller oil

[80] Just the Facts, supra.

[81] In fact, the town houses one of the rigs that is affected by the moratorium. See Joe Nocera, Moratorium Won't Reduce Drilling Risks, Jun. 25, 2010, *The New York Times*, (available at http://www.nytimes.com/2010/06/26/business/26nocera.html); For a discussion of Port Fourchon, see Loren C. Scott Associates, The Economic Impacts of Port Fourchon on the National and Houma MSA Economies, Apr. 2008, (available at http://www.portfourchon.com/site100-01/1001757/docs/port_fourchon_economic_impact_study.pdf).

[82] The Greater Lafource Port Commission was first organized in 1960 (the surrounding community had a population of 55,381) See Greater Lafourche Port Commission, About Us, (available at http://www.portfourchon.com/overview.cfm); U.S. Census Bureau, Louisiana: Population of Counties by Decennial Census: 1900 to 1990, (available at http://www.census.gov/population/cencounts/la190090.txt) [hereinafter Historical Census Data].

[83] See LA1 Coalition, Facts and Figures: Port Fourchon, (available at http://www.la1coalition.org/facts.html). The executive direct of Port Fourchon estimates that the port "services 90 percent of all the deepwater activity in the Gulf of Mexico, and all 33 of the rigs" that fall under the moratorium. Louisiana Port Operator Pleased With Dismissal of Drilling Moratorium, FOX News, Jun. 23, 2010 (available at http://www.foxnews.com/story/0,2933,595184,00.html).

[84] See id. Port Fourchon has seen an increase of their population to 95,554 in 2006. Overall, between 1960 and 2006, the Lafourche Parrish population grew by 72.5 percent whereas the State of Louisiana population grew 31.6 percent. See U.S. Census Bureau, Quickfacts, Lafourche Parrish, Louisiana, (available at http://quickfacts.census.gov/qfd/states/22/22057.html); Historical Census Data, supra, at note 73.

[85] A study by Morgan Stanley, for example, appears "confident that the ban will meaningfully exceed 6-months" and of the affected floaters, at least "a portion of the 35 floaters will leave the region, as operators declare force majeure." The study continues that "the legislative process could take 9-18 months [and that] it could take even longer for rigs to come back into the region after the ban is lifted." Global Oil Services, Drilling & Equipment, Morgan Stanley, Jun. 1, 2010, 1 (available at http://www.offshoremarine.org/images/stories/GOM_Drilling_Moratorium_06_01_10.pdf).

[86] Morgan Stanley "expect[s] a major supply/demand imbalance as the 35 GOM floaters attempt to relocate internationally, while an additional 30 un-contracted new builds exacerbate the issue. Subsea equipment companies are likely to feel the after-burn, as their orders are a direct function of deepwater drilling." See Id.

companies.[87] ATP Oil and Gas Corp., for example, "expected to see its 2010 production double to at least 12 million barrels of oil and gas but has now dropped its guidance to between 9 million and 10 million."[88] It is challenging, however, to quantify this effect coherently across the whole industry. Thus I have not included investment loss in my analysis. This means that I have under-reported the loss felt by communities in the Gulf and nationwide.

Third, if the end result of the moratorium is to place severe restrictions on offshore drilling operations for the long-term, costs could increase to operators significantly. This could lead to decreased operations, increased oil and natural gas prices, and the movement of operations to cheaper locations. This would again impose significant economic hardship on communities throughout the Gulf.

Last, refining also has significant benefits to the economies of the Gulf and the nation. Again, it is difficult to determine the effect of the moratorium on refining capacity. It is reasonable to assume that some capacity will be reduced as a result of stagnant oil and gas extraction, which would further add to the economic hardship caused by the moratorium.

G. Worst Case Scenario Analysis

One potential outcome of the moratorium is that all production in the Gulf of Mexico stops because offshore drilling is deemed too dangerous. Although unlikely, repeating the analysis with this assumption can be a useful exercise by providing an idea of the total amount of output, employment, wages, and tax revenue at stake.

This analysis uses data from the U.S. Department of the Interior, U.S. Department of Energy, the U.S. Census Bureau, and the U.S. Treasury Department to estimate the total decrease in output, employment, wages, and public revenues to the Gulf States and nationwide.

The relevant offshore oil and gas production data is again the starting point for the analysis. According to the U.S. Department of the Interior Office of Offshore Energy & Minerals Management (MMS),[89] the average monthly OCS offshore production of oil and natural gas in the GOM from January 2001 through November 2009 was over 42 million barrels of oil and 295 million Mcf (Thousand Cubic Feet) of natural gas. According to a recent report, 80 percent of GOM oil production and 45 percent of natural gas production comes from deepwater operations, and is therefore affected by the moratorium.[90] Applying these percentages to the total production figures, 34 million barrels of oil and 133 million Mcf of natural gas a month are at risk from the moratorium in the entire GOM region. Thus the total annual production at risk from the moratorium is around 410 million barrels of oil and 1.6 billion Mcf of natural gas.

These figures are apportioned to the Gulf States in the same manner as before. Dollar values are also calculated similarly, using the EIA's latest inflation-adjusted energy price forecasts from the *Short Term Energy Outlook July 2010*. The report indicates that for the second half of 2010 the average prices of oil will $79.00 per barrel and the average price of natural gas is $4.68 per MMBtu.[91] The value of each state's production is calculated as the sum of (1) its share of available GOM offshore oil production times $79.00 per barrel and (2) its share of available GOM natural gas production times $4.68 per thousand cubic feet.

Table 8 presents the results of the analysis:[92]

Table 8

Worst Case Scenario Losses

	Total GOM	Spillover Effects	Total U.S.
Output ($ Mil)	-$72,595	-$22,718	-$95,313
Employment (Jobs)	-285,378	-129,320	-414,698
Wages ($ Mil)	-$16,794	-$7,530	-$24,324
State & Local Tax Revenues ($ Mil)	-$2,972	N/A	N/A
Federal Tax Revenues ($ Mil)	N/A	N/A	$7,557

Note: Losses are expected to accrue over 12 months following the end of production.

As the results clearly illustrate, the loss would be astounding. Again, such a scenario is highly unlikely, but the analysis demonstrates the value of GOM deepwater drilling to Gulf communities and the nation.

VII. SUMMARY AND CONCLUSIONS

In this paper, I estimate the net local and national economic effects that could result from a six-month moratorium on offshore drilling - which currently is the White House's approach to the BP oil crisis in the Gulf of Mexico. I set out to provide the framework to assess the cost of such an action. The resulting

[87] Stiffer Costs, Rules in Gulf, supra.
[88] Id.
[89] U.S. Department of the Interior, Offshore Energy & Minerals Management OCS Oil and Gas Production, Jan. 22, 2010, (available at http://www.mms.gov/stats/OCSproduction.htm)
[90] Id.
[91] U.S. Energy Information Administration, Short Term Energy Outlook, July 2010.
[92] Florida is included in the GOM in this calculation.

analysis indicates that a six-month moratorium on offshore drilling will greatly restrict economic activity, potentially causing job loss, decreased aggregate wages, and a loss of public revenues for the foreseeable future.

The presidential moratorium will cost approximately $2.1 billion in economic loss to the Gulf states ($2.7 billion nationally), with some $487 millions to be expected in lost wages to employees ($707 million nationally) and in the neighborhood of eight-thousand lost jobs (12 thousand nationally), many in human capital intensive professional career fields. One key finding is the assessment of spill-over effects outside the affected regions in the Gulf of Mexico. I estimate a potential loss of $659 million in output, around four-thousand in jobs, and $219 million in lost wages due to spill-over effects that could permeate outside the affected states. The potential economic hardship will result in the loss of approximately $219 million in federal tax revenues and $98 million in state and local tax revenue. The lost revenues will directly affect the infrastructure of the region, including schools, health centers, and investment projects, substantially reducing the quality of life in local communities and nationwide. This potential loss comes in the wake of the continuing recession and financial crisis.

In summary, the current White House administration should consider a wide range of economic costs before enforcing the six-month moratorium on exploratory drilling. A blanket moratorium on deepwater drilling will cause economic hardship with substantial negative effects on jobs, wages, taxes, and other public revenues, adding to the struggles of local communities mired in recession. Further, the estimates in this paper may vastly underestimate the effects of the policy. For example, it is conceivable that oil rigs that leave the Gulf region because of the moratorium would not return after six months (Morgan Stanley believes the effects could continue for up to 12 to 18 months).

In closing, the present analysis is only meant to be a starting point for discussing the necessity that a cost benefit analysis should have on enacting the current moratorium on offshore drilling specifically, and future policies toward offshore drilling generally. Policy makers must consider unintended consequences before acting on imperfect information. The figures and tables that I produce are in no way an exact estimate of the economic effects of a six-month moratorium. Certain data limitations do not allow for a more refined analysis at this time, but the framework presented here provides the possibility for further study. Although there is likely to be a debate on the parameters and estimates put forth in my analysis, the point remains that economic costs need to be considered and investigated when evaluating the moratorium. Failing to weigh the costs of a policy decision against the potential benefits can cause more damage than the original safety concern itself.

APPENDIX A

Table A1

Distribution of Operating U.S. Oil Refining Capacity by State, 2008

State	Present Refining Capacity: Per Calendar Day (BBL)	Present Refining Capacity: Per Year (MBBL)
Alabama	124,600	45
Alaska	375,280	137
Arkansas	77500	28
California	2,007,188	733
Colorado	94,000	34
Delaware	182,200	67
Hawaii	147,500	54
Illinois	915,600	334
Indiana	433,000	158
Kansas	305,900	112
Kentucky	226,000	82
Louisiana	2,951,383	1,077
Michigan	102,000	37
Minnesota	362,150	132
Mississippi	364,000	133
Montana	187,100	68
Nevada	2,000	1
New Jersey	623,000	227
New Mexico	121,600	44
North Dakota	58,000	21
Ohio	515,200	188
Oklahoma	520,400	190
Pennsylvania	773,000	282
Tennessee	180,000	66
Texas	4,509,196	1,646
Utah	167,700	61
Virginia	63,650	23
Washington	627,850	229
West Virginia	20,000	7
Wisconsin	34,300	13
Wyoming	154,500	56
U.S. Total	17,225,797	6,287

Source: U.S. Energy Information Administration, Capacity of Operable Petroleum Refineries by State as of January 1, 2008.

APPENDIX A (continued)

Table A2

RIMS II Multipliers: Final Demand (2006)

State	Output	Earning	Employment
Alabama	1.5047	0.3206	5.7384
Louisiana	1.7932	0.4079	6.8625
Mississippi	1.5301	0.3263	5.6673
Texas	2.0721	0.5085	8.2985
United States	2.3938	0.6109	10.4152

Source: Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis, U.S. Commerce Department.

Table A3

RIMS II Multipliers: Employment by Sector (2006)

Sector	Alabama	Mississippi	Louisiana	Texas	United States
Agriculture, forestry, fishing, and hunting	0.0313	0.0435	0.0421	0.0815	0.1599
Mining	1.8284	1.8238	1.7882	1.9869	2.0662
Utilities*	0.0244	0.0285	0.035	0.0344	0.0426
Construction	0.0346	0.0323	0.0412	0.0508	0.0666
Manufacturing	0.2602	0.2494	0.2045	0.3193	0.6117
Wholesale trade	0.1647	0.1359	0.1888	0.2245	0.3051
Retail trade	0.5851	0.6239	0.7415	0.8462	1.0323
Transportation and warehousing*	0.142	0.1487	0.1948	0.2573	0.3694
Information	0.0655	0.0469	0.0847	0.1177	0.1797
Finance and insurance	0.208	0.1857	0.2178	0.4321	0.5521
Real estate and rental and leasing	0.2845	0.2139	0.4616	0.5912	0.7079
Professional, scientific, and technical services	0.2624	0.2134	0.3383	0.4923	0.656
Management of companies and enterprises	0.0591	0.0861	0.1246	0.0777	0.1679
Administrative and waste management services	0.2424	0.1755	0.3006	0.449	0.6104
Educational services	0.202	0.2285	0.2184	0.2469	0.2773
Health care and social assistance	0.6093	0.658	0.8594	0.9212	1.0978
Arts, entertainment, and recreation	0.048	0.0512	0.0992	0.1122	0.2101
Accommodation and food services	0.3936	0.4329	0.5124	0.5629	0.7132
Other services*	0.2601	0.2561	0.3667	0.4139	0.5272
Households	0.0329	0.0334	0.0427	0.0805	0.0617

Source: Regional Input-Output Modeling System (RIMS II), Regional Product Division, Bureau of Economic Analysis, U.S. Commerce Department.

Table A4

State Tax Burden, 2008

State	State and Local Taxes	Gross State Product	Tax Burden
Alabama	8,920,105,000	170,014,000,000	5.20%
Louisiana	10,697,358,000	222,218,000,000	4.80%
Mississippi	6,626,204,000	91,782,000,000	7.20%
Texas	44,919,866,000	1,223,511,000,000	3.70%

Source: U.S. Census Bureau, Bureau of Economic Analysis

Joseph R. Mason is Director at Navigant Economics LLC, Moyse/LBA Chair of Banking at the Ourso School of Business at Louisiana State University, and Senior Fellow at the Wharton School.

Dr. Mason's consulting practice provides firms with advice on financial, political, and legal risks in banking and finance. Dr. Mason has consulted on issues ranging from mortgage, home equity loan, home equity line of credit, auto, and credit card servicing, and securitization, to discrimination and disparate impact in consumer lending and insurance pricing, valuing distressed securities, the investor recoveries and efficient liquidations of bankrupt firms, and economic valuations of complex investment and lending arrangements involving asset-backed securities, collateralized debt obligations, and hedge funds. In litigation, he regularly serves as testifying or non-testifying expert on matters related to a wide variety of financial market-related claims. Dr. Mason has consulted for and advised investment firms, corporations, and research institutions, including The Conference Board, Inc., Coventry First, Deloitte, Fannie Mae, the Federal Deposit Insurance Corporation, the Federal Reserve Bank of Philadelphia, The Group of Thirty, Pricewaterhouse-Coopers, and The World Bank Group.

Dr. Mason's academic research focuses primarily on investigating liquidity in thinly-traded assets and illiquid market conditions. Current academic research projects analyze default risk, including both immediate and cross-default risk, and default resolution costs in the contexts of asset-backed securities, in systemic and non-systemic environments, as well as the efficacy of bailout and resolution policies through the history of financial markets. His research and economic commentary has received hundreds of national and international press citations in publications such as the *Wall Street Journal, New York Times, Washington Times, The Economist, Financial Times, Barrons, Business Week, die Zeit, Neue Zürcher Zeitung, Financial Times-Germany, Los Echos, Forbes, Fortune, Portfolio Magazine, Bloomberg Magazine, American Banker*, and on press syndicates such as Associated Press, Reuters, Bloomberg, KnightRidder, and MarketWatch-Dow Jones Newswire.

Dr. Mason received a B.S. in economics from Arizona State University in 1990 and a Ph.D. from the University of Illinois in 1996.

AEA AMERICAN ENERGY ALLIANCE

SAVE U.S. ENERGY JOBS

Chair LANDRIEU. I have one question for the whole panel, and we will then turn it over to Senator Vitter so we can wrap up at the appropriate, expected time.

Part of the feedback that we have gotten when we have been discussing the ending of this moratorium with people is, well, the situation isn't as bad, Senator, as you describe because there are so many people being employed or hired by the clean-up. We try to explain that that in no way substitutes for the loss of the permanent jobs and the anxiety that is out there because of just the unknown.

So I would like to ask you all to respond to this. This hasn't been officially on the record, but we get these comments in private meetings that we have. Would you try to take a minute, each of you, to explain to the public the difference between the jobs for the clean-up, which might be temporary and sometimes are hiring workers that aren't even from our area, as versus the jobs being lost from the moratorium? I don't know, Mayor, if you want to start——

Mr. MATTE. I would be happy to. I think what we have seen in our community, primarily, those jobs have involved the hiring of vessels. And in some cases, these boats were not working, so they were able to put those back on. The best example I have, the two marine operators that I mentioned earlier, both of them have crew boats and supply boats, and the crew boats are the—that is the low cost per day rentals. They are very thankful for the fact that they were able to put those vessels to work because what is happening is the larger offshore supply vessels, those in the 260 even up to over 300-foot-long vessels that leave Port Fourchon for the deepwater areas, those are the much higher day rates, require much more employment to staff those vessels. Those are the ones that are laid off. They are kind of supplementing it with these crew boats and some of the smaller boats that are serving the spill.

But they have already gotten notification, that is it. That is over. That is gone. Will it be another week, another month? That is probably the outside time frame we are talking about. Over the next month, those jobs will go away.

Chair LANDRIEU. So it was an inadequate and temporary substitute for the jobs lost, and now that is even coming to an end. President Williams.

Ms. WILLIAMS. Yes, Senator. In Terrebonne Parish, as you know, BP has one of their stations is right, unfortunately, right in my district, as well. But we had a serious problem with them even hiring our local vessels of opportunity. So to say that people are working, people are making money, that is true, but it will not last past 90, maybe 180 days at most. But these people that have been placed out of these other jobs, it is going to take them, just like I said earlier, two to four years before they can make the living that they used to make.

So you are going from $2,500 a week, example, to $235 a week. So that is the false that they are being sold that they are making money, but you are not making money every day. You are not guaranteed to go out every day. I have been stopped several times. "Ms. Williams, we go down there and they sent us back home." So that is not a job. A job is you know that you have to go from eight to five or eight to six, not if I go and they feel like bringing me, then I am going to work that day. So that is a false that everybody needs to understand. You may see people working today, but tomorrow, you may not.

Chair LANDRIEU. Representative.

Ms. CHAMPAGNE. Thank you, Senator. Yes, I agree, and I think where we get this false sense is people are confusing the oil spill with the moratorium, and every day when we go out in our districts, I know in District 49, my fishermen, my shrimpers and my fishermen have been put to work by BP and they are working their boats. What the moratorium is doing is it is affecting the stable industry that we have with oil and gas throughout Iberia and Vermilion Parish as well as the whole coastline.

We have oil field service companies and fabrication companies at the Port of Iberia that are already setting up shop in Brazil. These will not come back. If they leave totally and the economy base in Brazil helps them and the climate in Louisiana and the United States is not good enough, they are not going to come back. But they can't take all of our people with them when they do this.

So the false sense that people are actually working is exactly that, a false sense of people actually working. The moratorium is longstanding, and when I say longstanding, not today or tomorrow, a month from now. This is years. It will take years for our economy to come back, if it will at all.

Chair LANDRIEU. Senator.

Mr. CHABERT. One point that has not been touched upon that I know both of you have a tremendous amount of experience in, in terms of those jobs that are out there relative to the oil spill, what you have during a time of emergency and tragedies like this is the influx of profiteers. Unfortunately, we have seen that up and down all of our parishes, where you get folks who are not even from the State, much less from the area affected, coming in and capitalizing on some of the opportunities that were there, be they vessels of opportunity or catering contracts or any of the number of things that have been discussed thus far today.

You know, secondly are those jobs that have absolutely nothing to do with the oil spill that we have talked about repeatedly today. How do you equate a teacher who is going to lose their job due to a reduction in MFP and a decrease in the workforce, how do you say, well, that person can go to work for an oil spill clean-up job? It is unfortunate that there is that misconception out there, but completely understandable that it does exist.

Chair LANDRIEU. Thank you all for clearing that up.

Senator Vitter.

Senator VITTER. Thanks. I just have two questions. First, for the Senator and Representative. You mentioned you both represent significant ports, Port Fourchon, Port of Iberia. What percentage of those ports' activity is directly related to offshore oil and gas? And if the formal or de facto moratoria continue for six months or more, what will those ports look like?

Ms. CHAMPAGNE. Thank you. The Port of Iberia is 100 percent oil and gas related, and if we see a decrease, what will happen is, like we are seeing right now, some of our port facilities are looking at overseas employment. So they will decrease and these yards will be substantially decreased in furnished product here in the United States as well as overseas, but I can see if this continues, a reduction of at least 75 to 80 percent.

Mr. CHABERT. And as we have stated before, 33 of those rigs that are affected by this moratorium are based out of Port Fourchon, so that would speak directly to them, but 100 percent of what Fourchon does.

More importantly, I want to speak to something that we have all worked on, and I see my good friend, former Senator Cravens, Chief of Staff of the committee, you know, the hard work that we put in paying for long-term projects to get money down to things like Port Fourchon that we all agree are a State asset but they are a national asset, we are all familiar with the Leeville Bridge and the money that we have all worked so hard to allocate to that. We have tied directly the payment of bonds to pay for that bridge on the amount of traffic that is going to go to service Port Fourchon via the way of tolls. Well, no one has been able to calculate the loss of revenue that has been generated due to the number of trucks and heavy-load vehicles, which we all know those tolls vary depending on what type of vehicle passes over that bridge.

So, again, the true impact of this moratorium on things like that, that folks possibly in DC aren't seeing, has yet to be measured.

Senator VITTER. Right. And Ms. Williams and Mayor Matte, again, if the formal and de facto moratoria continue for six months or more, what revenue impact will your jurisdiction and your local school systems see, and what service cuts will that lead to?

Ms. WILLIAMS. In Terrebonne Parish, you are looking at a possible 40 percent reduction in sales taxes, which would affect not only our school system, which receives 46 percent of it, but it would also affect our levee board, who receives about $5 million a year through our sales tax revenues, thus prohibiting them from continuing with projects that they have already started. Definitely, we have already started with a cut in our school system, so we would definitely not be able to increase the staff.

On the parish side, we have already started looking at different measures as far as cutting back. We are only hiring now those positions that are absolutely detrimental to the parish. So with a 40 percent decrease in our sales tax, you would definitely see lots of layoffs on the parish side, and then probably even more layoffs on the school systems side.

Mr. MATTE. Well, Senator, in my parish—first off, I am fairly conservative in my budgeting. I budgeted a five percent reduction in sales tax for this year and am keeping my fingers crossed that that is going to be a sufficient number. We are getting ready to go through the budget process for this upcoming year, and, of course, this is a big question mark.

Secondly, you heard me say earlier, my unemployment rate is already ten percent. One of the things that I think you probably agree with, unemployment has a tendency to create more unemployment as those dollars—there are fewer and fewer dollars turning over, it broadens its impact and we are going to feel it very dramatically.

I am already not buying equipment and not buying supplies and not buying things to avoid having to lay people off, but there is no question that that is the only other place that, from a community like Morgan City, the only other place we can go is to begin to lay off employees. A moratorium that would continue on from here would cause—ultimately would cause the layoff of city employees. That would be the only response I would have.

Mr. CHABERT. And Senators, if I may, on the Mayor's point, it needs to be noted for the record that the lowest unemployment in the country prior to this moratorium and the oil spill was right here in South Louisiana, with Terrebonne, Lafourche, Lafayette, and St. Mary.

Chair LANDRIEU. And now it is headed to one of the highest.

All right. This hearing is going to come to a close. I just want to say again how much we appreciate the testimony, heartfelt, specific, very detailed, that is going to help us build the Congressional record necessary to get this moratorium lifted immediately and permits issued expeditiously. So we thank you all very much.

The record of this hearing will stay open for another two weeks. We encourage other testimony to be presented. And I can commit to you all, as the Chair of this committee and as a Senator from Louisiana, I am going to put the full weight of this committee behind the lifting of this moratorium as soon as possible.

Thank you. The meeting is adjourned.

[Whereupon, at 11:58 a.m., the committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

Champagne, Rep. (District Office)

From: Heidi Martin [hmartin@prolog-inc.com]
Sent: Friday, August 13, 2010 1:45 PM
To: Champagne, Rep. (District Office)
Subject: Pro-Log Moratorium Affects

Ms. Champagne,

We received your inquiry regarding the ways our company has been affected by the President's drilling moratorium. We are happy to share with you the vastly negative impact this moratorium has had and will continue to have on our business.

Pro-Log, Inc. is a small, woman-owned business enterprise employing 41 people. For almost 30 years our company has been working in the Gulf of Mexico and other locations. PLI supplies our customers with USCG, ABS, DNV and MMS approved portable buildings for lease, rental, and sale. We have worked with all of the major operators that have drilling and production operations in the Gulf of Mexico.

Our sales and rental revenues have experienced an 80-85% reduction directly due to the moratorium. This translated to a minimum $80,610 revenue loss during the month of May, 2010. This monetary loss has been about the same in the ensuing months, making it more and more difficult to maintain cash flow and payment to our employees and vendors.

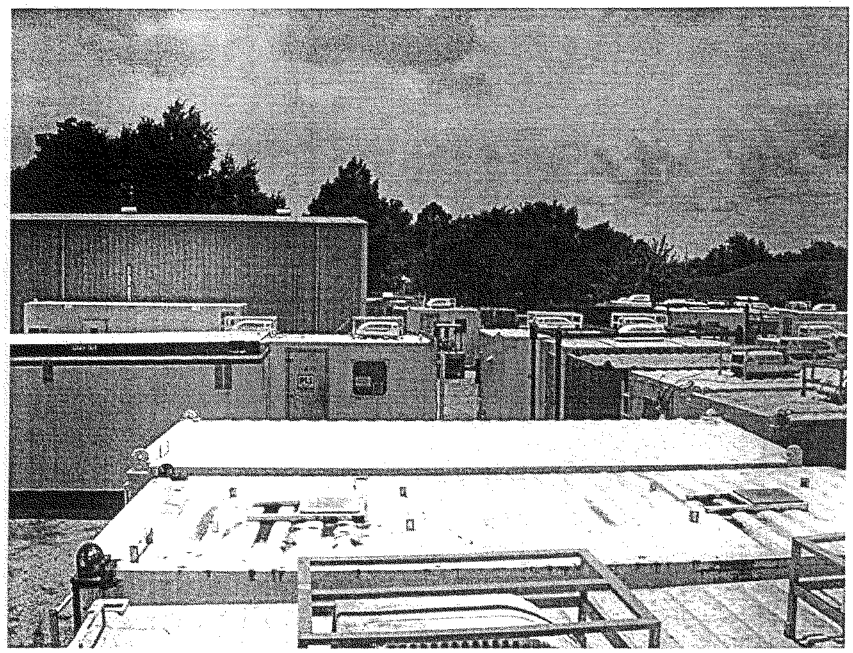
Additionally, we fear that the long-term rammifications of the moratorium will last a minimum of 10 months, forcing us to reduce our workforce for the first time in our company's history. As a family-owned business, it is a tremendously heartbreaking and difficult decision to reduce numbers in a workforce that, for the most part, has been a part of our family for many years.

Below are photos of the many buildings in our fleet that are in yard and off rental due to the moratorium. This tragedy becomes exponentially worse the longer the ban on drilling remains in effect. We are dedicated to working through this difficult time and are even more grateful for our customers each day. I hope that this information is of assistance to you in your endeavors. Thank you for the opportunity to share our experiences with you. If I can be of further assistance in any way, please let me know.

Kindest regards,

Heidi Parker Martin
Pro-Log, Inc.
337.364.9276
Fax: 337.364.7651

" Courage is not denying your situation but denying its power over you. " **- Beth Moore**



8/16/2010

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Click here to download the complete study.

An analysis by IHS Global Insight of the economic contribution to the Gulf States from offshore oil and gas development in the Gulf of Mexico shows that independent oil and gas companies account for about half of the nearly 400,000 jobs; $70 billion in economic values; and $20 billion in federal, state, and local revenue generated by the industry in 2009.

The study forecasts that by 2020 an exclusion of the independents from the Gulf of Mexico would eliminate 300,000 jobs and result in a loss of $147 billion in federal, state, and local taxes from the Gulf region over 10 years. If the independents are excluded just from the deepwater, the losses would be 265,000 jobs by 2020 and $106 billion in tax revenues over the 10-year period.

The actual federal tax losses would be larger because the economic analysis only includes the Gulf region (Louisiana, Texas, Mississippi, and Alabama), not the revenue impact on income earned elsewhere in the United States from manufacturing and investment activities related to the Gulf. To download the complete study, click here.

The economic analysis has been conducted by the regional economics team from IHS Global Insight. Its expertise includes the economic impact, tax implications, and job-creation dynamics within multiple sectors core to national, state, and local economies. In this capacity, IHS Global Insight helps governments and companies interpret the impact of proposed investments, policies, programs, and projects. The study draws on the oil and gas expertise of IHS Cambridge Energy Research Associates (IHS CERA) and the oil and gas databases of IHS-the most extensive and comprehensive in the world.

Download the study:
The Economic Impact of the Gulf of Mexico Offshore Oil and Natural Gas Industry and the Role of the Independents
Press Release — 22 July 2010

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Potential Economic Impacts of Proposed Increases in Regulation and Taxes on Deepwater Drilling in the Gulf of Mexico

- Capital costs associated with exploration and production drilling are likely to rise in the post Macondo world for the following reasons:
  - higher insurance costs and the potential for unlimited economic liability;
  - additional regulation by permitting authorities;
  - more stringent drilling practices (e.g., requirement for back-up rigs and other supporting equipment) and changes to well and rig designs .
  - increased taxes and fees

- Forty-four GOM deepwater projects are at pre-Final-Investment Decision (FID) stage and at risk of an extended moratorium or higher capital costs due to overly excessive regulation and taxation which could result in project delay or the outright cancellation of projects. Wood Mackenzie has estimated that higher drilling costs, regulatory delays and a 25% increase in overall capital costs due to increased regulations and taxes, would render the GOM deepwater fields sub-economic - unable to achieve a post-tax internal rate-of-return of even 10%.

- This analysis estimates the impacts on the US economy should deepwater development in the GOM cease due to sub-economic returns. The economic impacts reveal that a complete shut-down of deepwater drilling would:
  - Reduce direct and indirect employment in the oil & gas and its service industries by 93,000 jobs[1] - every year through 2035.
  - Reduce an additional 82,000 jobs every year through 2035 in non oil & gas related industries due to less income in the economy.
  - Reduce annual GDP by over $20 billion per year or a cumulative impact of approximately $500 billion in the next 25 years.
  - Reduce long-term U.S. oil production by 27 percent.
  - Increase long-term U.S. foreign oil imports by 19 percent.

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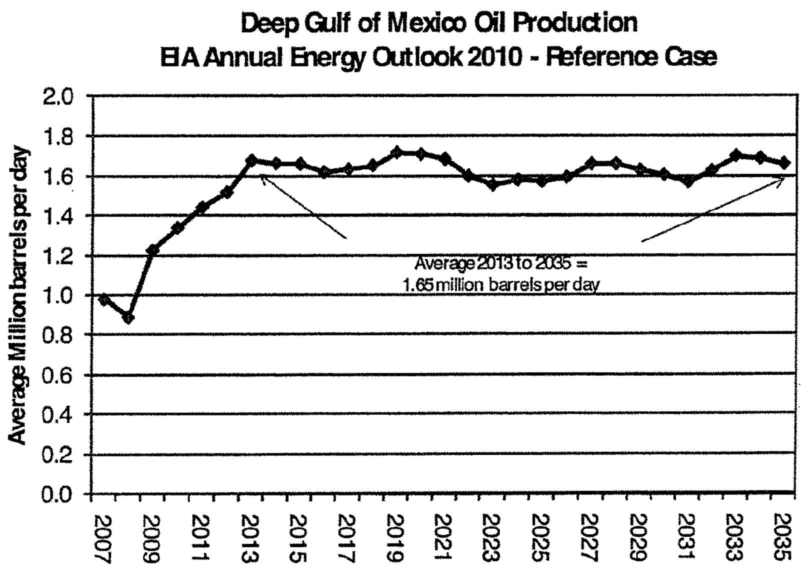
[1] This is slightly higher than the current estimate of approximately 85,000 direct and indirect jobs related to deep water exploration and development. Production is projected to be higher in the future.

Analysis

- EIA's Annual Energy Outlook 2010 (Reference Case originally released in December 2009) projected that deep water Gulf of Mexico oil production would rise from the 2009 level of 1.2 million barrels per day to over 1.65 million barrels per day by 2013. This level essentially remains constant for over 20 years until the end of the forecast in 2035.



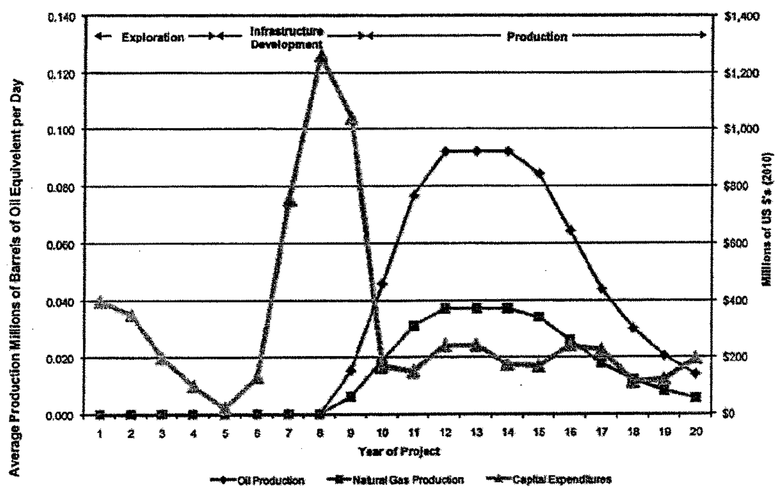
- Total U.S. oil production is projected to also remain relatively steady between 2013 and 2035 at a little over 6 million barrels per day. The elimination of the deep water GOM oil production would reduce U.S. production by over 27 percent.

- The loss of domestic oil production would most likely be offset by increased foreign oil imports. The AEO 2010 forecasts projects relatively steady net oil imports at approximately 8.65 million barrels per day from 2013 to 2035. An additional in 1.65 million barrels per day of imports would equate an increase of 19%.

- Deep water natural gas production is projected to increase from the current level of over 5 Bcf per day to an average of 7.75 Bcf per day by 2035. Although these volumes may be replaced by increases in U.S. onshore natural gas production, the marginal increases would most likely be at higher cost.

- The projected development expenditures needed to achieve GOM deep water development is based on a 2009 analysis by IHS Global Insight which itemized yearly expenditures for a 350 mmboe (250 oil and 100 natural gas) deep water GOM field at a total cost of approximately $6.5 billion. This is in-line, if not slightly conservative, with current Wood Mackenzie estimates that a 200 mmboe would require $4.1 billion in capex and a 400 mmboe requires $8.6 billion.
    - The field life is 15 years.
    - Maximum flow of 47 mmboe for 4 years before declining.
    - Finding costs are assumed to be $3 per boe, in-line with GOM historical averages.

Annual Production and Capital Expenditures - Typical GOM Deepwater Field



- Since oil and gas fields only produce at a maximum rate for only a few years before going into decline, new fields must be developed every year. In order to reach and maintain an average 1.65 million barrels of oil projected in the 2010 AEO, and average of 2.4 similar fields as the one above must start development every year for the next 20 years.

- The capital expenditures for each field differ significantly each year depending on the stage of development and peak as production platforms, pipelines, and other infrastructure are built right before production. However, since new fields must start development each year, total capital expenditures on exploration and development would be reasonably constant if long term oil production were to remain at a constant volume. To maintain an average 1.65 million barrels of oil production through 2035, approximately $16 billion must be spent annually for

GOM exploration and development[2].

- The IMPLAN (Version 3) economic impact assessment software was used to determine the employment and GDP impacts of a single field each year through its 20-year development cycle.

Categorized Costs for a Deep Water GOM Field

Total Expenditures All Years ($millions)	Project Costs (IHS)	Split	IMPLAN Sector
$450	Seismic		Support activities for other mining
$300	Exploration Drilling Costs	50%	Drilling oil and gas wells
		50%	Water transportation
$300	Well Test		Support activities for oil and gas operations
$870	Developemnt Drilling Costs		Drilling oil and gas wells
$716	Subsea Structures		Mining and oil and gas field machinery manufacturing
$459	Pipeline Construction		Support activities for oil and gas operations
$591	Topsides Structures		Ship building and repairing
$564	Floating Platforms		Ship building and repairing
$1,798	Fixed Production Operating Costs	50%	Oil and gas extraction
		50%	Water transportation
$499	Pipeline Tarrifs		Pipeline transportation
$6,547	Total		

Source: Global Insight, 2010.

- To estimate the average annual long-run economic impact of GOM deep water drilling, the single field IMPLAN results were multiplied by 2.4 to account for the estimated number of fields starting each year needed to meet the AEO 2010 forecast of GOM deepwater production. They were also summed across years to account for the fact that in any one year, there will be a multitude of fields in different stages of development.

Average Annual Long-term Economic Impacts GOM Deep Water Drilling, 2013 - 2035
($millions per year, except where indicated)

[2] Cost pressures increase as an area is developed and the most promising prospects are developed first. However, cost pressures decrease with technology and efficiency advances.

Impact Type	Employment[1]	Labor Income	Value Added (GDP Contribution)
Direct Effect	30,183	$3,242	$6,610
Indirect Effect	63,207	$4,234	$6,706
Subtotal Industry	93,390	$7,477	$13,316
Induced Effect	82,051	$3,848	$6,814
Total Effect	**175,441**	**$11,325**	**$20,130**

[1] Employment as defined by the BLS.

- The approximate 93,000 jobs for direct and indirect employment related to deep water oil and gas development is slightly higher than current levels. This is to be expected with an increase in production rates from the current 1.2 million barrels of oil per day to about 1.65 million barrels per day by 2013.
- The additional 82,000 jobs per year that are induced represent the amount of jobs created in the economy as income from both labor and equity owner's is spent in the economy as a whole. This increases demand for goods and services in non oil and gas related sectors. Contrary to popular belief, the benefits of oil and gas development and production are not restricted to a narrow sector of the economy. Rather, its impacts are broad-based benefiting manufacturing, construction, real estate, finance and insurance, health and social services among others.
- Deep water drilling in the GOM was projected to contribute $20 billion to the U.S. economy. The cumulative impact through 2035 is over $500 billion.

Chair Mary L. Landrieu
Small Business Committee Hearing: "The Deepwater Drilling Moratorium: A Second Economic Disaster for Louisiana's Small Businesses"

Questions for Ms. Lori Davis, Owner, RIG-CHEM

Question #1 – Inland vs. Coastal Impact
Dun & Bradstreet's testimony before my committee last month noted that only 27 percent of small businesses impacted by the moratorium are located in coastal counties. 73 percent are located inland "suggesting that a moratorium could be felt more broadly throughout the Gulf Coast states." An example is that in here in Lafayette Parish alone, 780 businesses with 10,500 employees are potentially impacted.

- Can you describe in greater detail this possible upstream/downstream impact of the moratorium on your business or businesses you work with on a daily basis?
- My company is not current with D&B which I'm certain many small businesses that do not do business with the federal government are not registered at all. It became very costly and not a value so these numbers most likely are even higher.
- Our company for the past 5 years has purchased promotional items from a certified DBE vendor in Jennings and I have informed them that we could not afford to make our annual purchase this year.
- One of our major suppliers is located in Atlanta and has lost 30% of his business as we have reduced our purchases. This is true for many other vendors that supply us with, drums, pails, transportation services.

Question #2 – Moratorium's Impact on Business Plan
In your testimony, you mention that you were a "liquid" company – never owing capital and always keeping enough operating capital to weather tough times. Now, as a result of the moratorium, your company has had to look to banks for a line of credit for basic expenses. This is frustrating for me as your business has made it through multiple natural disasters, including four recent hurricanes, without having to incur major debt.

You indicated that you have not laid off one of your 18 employees (15 in LA, 2 in TX, and 1 in Maine). However, if the moratorium continues through December you will be forced to lay off employees and cut benefits.

- South Louisiana businesses are a pretty resilient bunch. Can you describe the difference between dealing with the uncertainty surrounding this moratorium and dealing with hurricanes (such as Katrina/Rita or Gustav/Ike)?
- Hurricanes end usually within a short period of time and we know that once we return to work more times than not the wells that were "shut in" for storms usually "sand up" and this creates more of an opportunity for workover work although not in this case. Existing wells are still flowing. No drilling is being performed in obviously deep water but also shallow water as a result of the "de facto" moratorium in place. (which has almost completely shut our business down with no way to recover business losses as with fisherman, restaurants, hospitality and real estate business and industry)
- We always kept enough in reserve to last at least a month since this has been the longest time period we have been out of work. Now I don't have any idea how long it's going to last and our cash reserves are dwindling.

- As one of the businesses on this panel directly involved in the oil/gas industry, can you outline in greater detail the indirect impact the moratorium is having on businesses outside the energy industry (vendors, contractors, advertising agencies, etc.)?

- We had budgeted this year for at least 50K in capital improvements to our facility that will not take place. Our roof, ceilings and AC have needed repairs since Gustav but were strapped for funds and felt we would wait until we were in a better position to pay it off instead of taking a loan to do the work. I have cancelled all repairs that had been scheduled only weeks before the moratorium took place.
- We will not be purchasing promotional items or have our annual company Christmas party. These may seem small but to these vendors and our employees it is a large hit when you have planned for these to take place.
- Our advertising budget is completely cut. We will not be participating in any industry or community sponsored events for the remainder of this year. We have dropped our positions in all charity auctions as well as fundraiser golf and sporting events.
- Our normal donations to various schools (Nicholls, Terrebonne Foundation for Academic Excellence) and non profit organizations (Chamber of Commerce, Women's Business Council South) have been cut.
- We were in the process of updating our marketing materials which have also been put on hold.
- No new computer equipment will be purchased.
- We basically have a spending freeze on anything non essential purchase.

<u>Question #3—De Facto Moratorium by Regulation</u>

It is my understanding that deepwater drilling clients account for over 70 percent of your business. In your testimony, you note concerns over the possible financial burden resulting from new safety/performance regulations on deepwater drilling.

- As a small business in the oil industry, can you comment on the process now for getting a shallow water drilling permit? The lack of communication and trust between the new BOEM and the Obama Administration is quite possibly the most severe bottleneck in the whole chain of events. The new bureau in charge of oversight and permit issuance, the BOEM is staffed primarily with the remaining bones of the original MMS. These were good people who cared about what they were doing and who are now afraid to make a decision for fear of what may happen to them as they have not been given any hard and fast rules that say yes you can do this or no you can not do that. There is no process or rules to judge appropriateness of a permit application that I am aware of. It is a real mess!!!!

- No one wants deepwater drilling to be safer more than Louisiana small businesses. Can you comment on how stricter deepwater drilling regulations might impact your small business? Time will only tell. We are preparing for the worst especially since recently we have had to take a hard look at our contractual agreements and been asked to renew or review old agreements with some clients. Many have strong language and requirements which there is literally no insurance coverage available. Many companies will choose to sign because they have to be able work which out weighs the risk of loss of business. Safety has always been foremost in ALL deepwater operations. Ironically enough BP set the benchmark in the early days for the strictest requirements for safe operating procedures. This industry is SAFE and always has been. This was the "perfect storm" of events that could never have been predicted. This was caused by a couple of careless individuals who chose to ignore the safety procedures already in place and now an entire industry is suffering for it!!!!!!!!

Question #4 – Individual Business Impact

Your testimony provided us with a detailed look at what your businesses do and how the moratorium will impact businesses like yours along the Gulf Coast. I am interested in better understanding how specifically the moratorium will affect your business.

- Will you be able to maintain a viable business if you are not able to sustain your customers for 6 months?
- We will **IF** we can develop the international markets that we are currently working on, Saudi Arabia, Nigeria and Norway and hope to establish a market and location in North Louisiana, which ALL will take capital to build and support.

- Do you plan to keep all of the employees that you had before the moratorium on your payroll and if not how many employees will you need to let go in order to get your business through this period?
- Pay cuts will come before layoffs and after this we will have to decide where the need is the most depending on what we are able to develop and how fast. I will probably first have to release our consultant in Maine.

- Are there other sources of income that you can exploit in order to bridge the gap for the duration of the moratorium? (Yes/No)
- It would have been fair to encourage BP to utilize local companies for support. We have been told that they were trying to do this but have gotten nothing but run around from all....very frustrating. We were even told that we had a Master Service Agreement in the mail over 1 month ago. The competition being utilized in some cases have never worked or supported the oil and gas industry with costs higher than we have ever been able to demand.

- Nothing more than I haven't already explained.

Question #5 – Compensation for Economic Injury

The Louisiana Mid-Continent Oil and Gas Association estimates that lost wages could be as high as $10 million a month for each of the 33 drilling rigs idled by the moratorium. The Administration has announced that a fund of $100 million is set aside for rig workers idled by the drilling moratorium. This fund is separate from the $20 billion escrow account BP established in coordination with the Administration.

- $100 million seems like a drop in the bucket compared to the potential lost wages from the moratorium. Do you believe this funding would be sufficient to compensate workers impacted by the moratorium? (Yes/No)
- NO and who is going to compensate me for the loss revenues, returned inventory, loss of market share when work returns since big business will be squeezing us harder than ever to try and regain their losses. We have no protection or guarantee that this will ever rebound. Will we be able to afford the insurance? Our cost of materials has been going up since it is all directly impacted by oil.
- The 100 million does not include or help me. I have an employee that has 75% less offshore days in comparison to last year, he will make 50% less income....is he eligible. There is no clear answer as to who is eligible. I have instructed him and support him in filing a claim.

Question #6 – Small Business Recovery

The Small Business Administration is offering disaster loans and deferring existing loan payments for businesses impacted by the oil spill. It has been noted by other witnesses at our last hearing that withdrawing the moratorium is a far simpler solution than giving businesses additional debt.

As you may know, I have put forward a bipartisan proposal to provide interest relief on impacted small businesses with disaster loans from the 2005/2008 hurricanes. The proposal would lower monthly payments by reducing interest owed on the loans by up to $15,000 over three years. Unfortunately, this proposal has run into resistance from certain members of our committee.

- If possible, can you comment on how this proposal may benefit business impacted by the oil spill and/or the moratorium?
- I wish I could say this will help. We have never had to borrow money to support our company. It seems very odd to think about doing this. I suppose it would be better than no help at all. I just don't have a good answer and will try to make the best of what comes our way. We will also need more advice and guidance which will cost money.
- Honestly when you look at our cost to compete $15,000 over 3 years is just not much of a savings and I will ultimately pay for this anyway. Nothing is given by government that isn't taken from somewhere else!

Question #7 – Indirect Impact of Moratorium:

In your testimony, you note that it is not just businesses/employees directly employed in the energy sector that are impacted by the moratorium.

- For the committee record, do you agree that while the moratorium was intended to improve safety in deepwater drilling, it is instead hurting the various businesses and communities recovering from the oil spill? (Yes/No) YES absolutely! We are suffering and recovery will be long and slow.

Chair Mary L. Landrieu

Small Business Committee Hearing: "The Deepwater Drilling Moratorium: A Second Ecnomic Disaster for Louisiana's Small Businesses"

Questions for Mr. Charles Goodson, Owner, Charley G's Restaurant

Question #1 – Inland vs. Coastal Impact

Dun & Bradstreet's testimony before my committee last month noted that only 27 percent of small businesses impacted by the moratorium are located in coastal counties. 73 percent are located inland "suggesting that a moratorium could be felt more broadly throughout the Gulf Coast states." An example is that in here in Lafayette Parish alone, 780 businesses with 10,500 employees are potentially impacted.

- Can you describe in greater detail this possible upstream/downstream impact of the moratorium on your business or businesses you work with on a daily basis?
-

We try to do as much business as we can with local companies-janitorial service, alarm service, plumber, and electricians. All our repair & maintenance expenses we do with local companies. This expense is about 4% of our total budget. I see us holding back on these expenses as much as possible, which will have a direct effect on several small Lafayette businesses.

Question #2 – Individual Business Impact

In your testimony, you talk about surviving the oil bust in the mid-1980's. There are many parallels between the oil bust and this recent moratorium. That was a certainly a difficult time for south Louisiana, and especially for businesses here in Lafayette. As you illustrate very well, the moratorium has the potential to kill jobs not just in the oil industry but also in service industries, such as restaurants, that rely on these employees for business.

For example, you note that the Louisiana restaurant industry is the largest private sector employer in Louisiana with 145,000 direct jobs and another 70,000 indirect jobs.

- For the record, can you reiterate that if the moratorium continues, restaurants such as Charley G's will have to discontinue services, reduce operating hours, and cutback employees?

- You outline that discontinuing lunch would result in a loss of 25 percent of your staff (11 employees). Can you describe how discontinuing lunch would also impact other businesses which supply/service Charley G's?

Our first action will be to put a moratorium on hiring, put a moratorium on bonuses & raises, and put a moratorium on lease hold improvements. The second would be to discontinue lunch service, a four hour per day shift. It would eliminate 11 jobs, which is about 25% of our work force. With these actions we could reduce several other expenses such as linen usage, utility usage and janitorial service. It would directly affect all of our purveyors, seafood, produce etc.

Question #3 – Individual Business Impact

You have all provided us with a detailed look at what your businesses do and how the moratorium will impact businesses like yours along the Gulf Coast. I am interested in better understanding how specifically the moratorium will affect your business.

- Will you be able to maintain a viable business if you are not able to sustain your customers for 6 months?

- Do you plan to keep all of the employees that you had before the moratorium on your payroll and if not how many employees will you need to let go in order to get your business through this period?

- Are there other sources of income that you can exploit in order to bridge the gap for the duration of the moratorium?

Our profit margin is predicted to be about 5% before taxes. We could not sustain a major slow down in business for 6 months without losing a lot of capital. There are other income sources that we have looked at to make our company more diversified but it all depends on the strength of our local economy.

Question #4 – Small Business Recovery

I note that the Small Business Administration is offering disaster loans and deferring existing loan payments for businesses impacted by the oil spill. Rightly, I think, it has been noted by other witnesses at our last hearing that withdrawing the moratorium is a far simpler solution than giving businesses additional debt.

As you may know, I have put forward a bipartisan proposal to provide interest relief on impacted small businesses with disaster loans from the 2005/2008 hurricanes. The proposal would lower monthly payments by reducing interest owed on the loans by up to $15,000 over three years. Unfortunately, this proposal has run into resistance from certain members of this committee.

- If possible, can you comment on how this proposal may benefit business impacted by the oil spill and/or the moratorium?

Businesses that find themselves in debt because of disaster loans are in serious trouble even before the moratorium. A state food magazine I advertise with that has a small disaster loan tells me the moratorium may put them out of business.

Question #5 – Indirect Impact of Moratorium

In the testimonies, many of the witnesses note that it is not just businesses/employees directly employed in the energy sector that are impacted by the moratorium.

- For the committee record, do you agree that while the moratorium was intended to improve safety in deepwater drilling, it is instead hurting the various businesses and communities recovering from the oil spill? (Yes/No)

YES!

Chair Mary L. Landrieu

Small Business Committee Hearing: "The Deepwater Drilling Moratorium: A Second Ecnomic Disaster for Louisiana's Small Businesses"

Questions for Mr. Troy Cloutier, Regional President, MidSouth Bank

Question #1 – Inland vs. Coastal Impact

Dun & Bradstreet's testimony before my committee last month noted that only 27 percent of small businesses impacted by the moratorium are located in coastal counties. 73 percent are located inland "suggesting that a moratorium could be felt more broadly throughout the Gulf Coast states." An example is that in here in Lafayette Parish alone, 780 businesses with 10,500 employees are potentially impacted.

- Can you describe in greater detail this possible upstream/downstream impact of the moratorium on your business or businesses you work with on a daily basis?

I would agree that more of the deep water is serviced out of Lafayette but as stated during the hearing in Lafayette the moratorium is affecting the shallow water as well. My guess is that the numbers above are the companies that are directly affected but we need to take a broader look at the economy.

I think that about 80% of the economy in Terrebonne and Lafourche is affected by the oil and gas service industry. Houma has seen growth in retail over the last 5 years and many of those companies are being affected by the moratorium due to the fact that people are not making what they were by working offshore so they are not going out to eat or buy things. The retail and other companies are not being added into the numbers above because they are not directly affected.

We as a bank are not being added into the numbers above but we have seen some slowdown in payments and loan demand. We have to work with companies to help them pay their bills because they do not have the money to do so. This is taking time and effort from our employees.

Question #2 – Oil Bust vs. Moratorium Impacts on Real Estate

This region unfortunately saw businesses and their employees move out of state during the 1980s oil bust. Real estate, as a fixed asset, tends to follow the local economy and local employment figures.

A July 18, 2010 *Daily Advertiser* article noted this: in 1982, the average price of homes reported as sold in Lafayette was $92,470. By 1988, the average had dropped to $58,751. The prices did not return above earlier levels until 1995 when it hit $94,015.

By comparison, the number of residential listings stood at 3,896 in 1982. In 1985, there were 7,874 homes on the market in Lafayette. Only 1,896 of those homes sold – 24 percent. I am concerned that continuation of the moratorium will similarly impact local real estate markets and local jobs in this sector.

- Can you describe the potential impact on the local real estate market if the moratorium results in significant job losses in this area?

Today houses in South Louisiana are not moving. Houma was one of the best housing markets in the country. I personally sold my house in Houma in April. It took me 3 days to sell it and I got more then what I thought I would get. Today in talking to Ron Brooks who owns a real estate agency in Houma he says nothing is moving. He says that the units are down 18% for this year over last year and the dollars are down 24% for this year over last year. This is with record setting interest rates. Rates have dropped by a half a point since April of this year and we are still not seeing any activity in the markets.

The demand today is not there to sell houses. Because of this the prices of real estate in the market will be affected over the next few months. People are scared that they will not have a job so this is causing them to not by new houses.

Question # 3– Individual Business Impact

You have all provided us with a detailed look at what your businesses do and how the moratorium will impact businesses like yours along the Gulf Coast. I am interested in better understanding how specifically the moratorium will affect your business.

- Will you be able to maintain a viable business if you are not able to sustain your customers for 6 months?

  Yes we will be able to maintain a viable business because we are not concentrated in South Louisiana and we are not directly affected by the oil industry. In being a bank we will see many of our customers go out of business and have many sleepless nights about their business surviving.

- Do you plan to keep all of the employees that you had before the moratorium on your payroll and if not how many employees will you need to let go in order to get your business through this period?

  We will not have massive layoffs because of the moratorium we may have to loss some boxes at the bank. We are seeing many of our customers cutting back and employees are the biggest expenses that they can cut. They are looking out for them and their family. They want to make sure that they will still have a company that can make a good income for their family after the moratorium.

  They are also worried about the tax increases that are coming on January 1 because the Bush tax cuts are not being renewed. Some of them are taking big distributions this year and not taking as much over the next few years because it will cost them less in taxes. This may also affect them in hiring people back once they are cut. At the end of the day this will affect the income stream of the country.

- Are there other sources of income that you can exploit in order to bridge the gap for the duration of the moratorium?

  There are no other sources of income that the bank can exploit to bridge the gap. We are losing some of our income with all of the regulations that is being voted for in Washington. We are losing some interchange fee with the Dodd-Frank bill and our NSF fees are being looked at every day.

<u>Question #4 – Small Business Recovery</u>

I note that the Small Business Administration is offering disaster loans and deferring existing loan payments for businesses impacted by the oil spill. Rightly, I think, it has been noted by other witnesses at our last hearing that withdrawing the moratorium is a far simpler solution than giving businesses additional debt.

As you may know, I have put forward a bipartisan proposal to provide interest relief on impacted small businesses with disaster loans from the 2005/2008 hurricanes. The proposal would lower monthly payments by reducing interest owed on the loans by up to $15,000 over three years. Unfortunately, this proposal has run into resistance from certain members of this committee.

- If possible, can you comment on how this proposal may benefit business impacted by the oil spill and/or the moratorium?

  This is the same area that has been affected by hurricanes over the last few years. Some of these businesses have already gone out of business because of the problems that they had in the past few years. Some of these have gotten loans to carry them through the last few years. They did not cause the Hurricanes and they did not cause the oil spill but they are being penalized by the government because of it by the Moratorium. These businesses need some relief to stay in business and this would be a great start to assist them.

  We as banks are being asked by our regulators to work with the companies that we have loans to. We are giving them loan extensions for a few months. If the banks can give them relief the government, which has caused the problem, should give them some relief. If the company goes out of business you do not get paid back and we do not get paid back and employees lose their jobs.

<u>Question #5 – Indirect Impact of Moratorium</u>

In your testimonies, many of you note that it is not just businesses/employees directly employed in the energy sector that are impacted by the moratorium.

- For the committee record, do you agree that while the moratorium was intended to improve safety in deepwater drilling, it is instead hurting the various businesses and communities recovering from the oil spill? (Yes/No)

  Yes this is killing one of the best economies in the nation.

Chair Mary L. Landrieu
Small Business Committee Hearing: "The Deepwater Drilling Moratorium: A Second Ecnomic Disaster for Louisiana's Small Businesses"

Questions for Lieutenant Governor Scott Angelle, State of Louisiana

Question #1 – Oil Spill Cleanup Jobs
Some have countered that the jobs related to the current oil spill cleanup/mitigation efforts offset any possible jobs lost as a result of the Administration's drilling moratorium. I am concerned about this argument as it seems to miss the point. If you are employed in these industries and or have met with these impacted businesses, it is clear this is not an 'apples to apples' comparison. A boat captain skimming oil for BP makes significantly less than they would catching seafood. With the recent progress on capping the *Deepwater Horizon* well, these jobs are now set to soon disappear.

- Can you comment on this "red herring" argument that oil spill cleanup jobs are offsetting jobs lost as a result of the moratorium?

The argument that oil spill cleanup/mitigation efforts offset jobs lost to the moratorium ignores the fact that workers in the portion of the exploration industry directly impacted find themselves in the position of going from jobs they already held and are trained and experienced in to competing with others for jobs – including workers from out of state – that will continue to dwindle as the cleanup progress and fewer tasks exist for workers for whom environmental cleanup is not a specialty. It also ignores the impact on businesses that support and supply direct exploration operations – such as food suppliers, equipment repair and supply shops, and transportation companies. While some rig operators and other companies directly involved in deepwater drilling have continued to employ many of their workers – they cannot do so indefinitely with no certainty of when drilling will be allowed to resume. And in the meantime, they are not doing the same level of business with the companies that have provided equipment, supplies and services.

Question #2 – Nationwide Impact of the Moratorium
In previous testimony, you have noted that five (5) of the seven (7) experts chosen to review the Department of Interior safety study that led to the moratorium publicly opposed the use of their names and involvement to justify a blanket moratorium. These experts, on page 2 of their letter to my office stated: "A blanket moratorium is not the answer. It will not measurably reduce risk further and it will have a lasting impact on the nation's economy which may be greater than that of the oil spill."

You have also previously outlined the impact that shutting down domestic drilling and increased oil prices has caused on the pocket books of American consumers. In particular, production was interrupted by Katrina and Rita in 2005 and the national average of the price of gasoline rose 46 cents. It is estimated that a 50 cent increase in the cost of a gallon of gasoline costs American consumers $1.4 billion per week.

- Can you outline why consumers in other parts of the country, not just here in Lafayette, should be concerned about the deepwater drilling moratorium?

Simply put, there is no sector of the economy or the nation that is not impacted by threats to the availability and price stability of oil and natural gas. Every home and business depends on goods and services that involve either travel, transportation of goods and equipment, use of energy for climate control or combinations of some or all of those factors. Oil and natural gas are unquestionably the dominant sources of energy for transportation by land, sea and air, while natural gas has continued to be an increasingly critical part of our nation's supply of electricity. The declared six-month moratorium, while not directed at production, is having an impact on production because planned wells are not coming on line to replace older wells. At six months, the moratorium is expected to cut domestic production in the Gulf by 4 percent – an amount that will not be caught back up for several years. A longer moratorium will mean greater loss of production and longer periods for recovery. During that time, the U.S. will need oil from other sources, such as imports, to meet demand – exposing the national economy to a greater degree to instability in global prices and increasing the need for shipping oil from overseas. The nation has seen in recent years what can happen when fuel prices spike too high, too fast. The reaction to the cost of oil and gas in 2008 fed the storm that swept up our national economy and helped cripple our car manufacturers, our banks, and our housing markets. We have had six recessions in this country since 1972. Prior to each one of them, the price of oil saw a sustained increase over the previous year. A major increase in fuel prices has almost always been an indicator of a major recession or downturn in our economy. At the same time, the transportation of oil has been shown to create a far greater risk, year in and year out, of exposure of the environment to man-made oil spills and leaks.

Question #3 – Environmental Impact/National Security Impact of Moratorium

Two of the reasons cited by the Administration for its moratorium are: 1) environmental concerns and 2) public safety. In my view, the moratorium is not the answer to addressing these valid concerns. For example, the effect of the moratorium could send these U.S. rigs to foreign waters. These countries often have looser environmental regulations than the U.S. This also makes the U.S. further dependent on foreign oil – often from countries that are not our friends.

- Can you comment, outside of the economic impacts which have been well documented by this committee, on the environmental/national security impacts of the moratorium?

The longer the moratorium lasts, the more domestic production from the Gulf, which makes up roughly one-third of U.S. domestic production, will fall off as production from older wells is not replaced by newer wells. Less domestic production means a heavier reliance on imported energy to meet U.S. energy demands. Increasing that dependence creates a greater exposure of the U.S. economy and the nation's security to instability in global energy markets and areas and nations of the world whose interests may not coincide with those of the U.S. or may even be overtly hostile at times. This places far too much influence on our nation's ability to manage its own economy and the critical need for energy in the hands of interests outside our borders.

Greater dependence on foreign sources also creates a greater need for the shipping of oil. National Research Council work on estimating the greatest threats of release of oil into the oceans has shown that, historically, the transportation of crude oil or refined products results in the release of three times more oil into the waters of North America than do exploration and production activities, and transportation accounts for about four times more oil released globally than does exploration and production.

Question #4—Importance of Energy Industry to Coastal Communities

In his testimony last month before my committee, Dr. Joseph Mason from LSU discussed how important the energy industry is to local communities such as those in your parishes. This is also reiterated today in many of your testimonies. Not only are there the direct jobs created by those working on the rigs, but entire communities also are tied to this industry through local economic activity generated by rigs, their workers, and related businesses.

- For the record, can you outline how important the energy sector is to communities such as Port Fourchon, the Port of Iberia, and Morgan City?

According to an economic study conducted by Loren C. Scott & Associates, Port Fourchon's annual regional direct impacts include $1.5 billion in business sales, $350 million in household earning, 8,169 jobs, and $12 million in taxes to local governments. Nine of the top ten tax payers in Lafourche Parish have facilities in Port Fourchon. Sixty percent of the Lafourche Parish tax base comes from the area between the Intracoastal Canal and Port Fourchon, and 80 percent of that comes from Port Fourchon and watercraft. Port Fourchon currently services 90% of the Gulf of Mexico deepwater oil production, and it plays a strategic role in furnishing this country with nearly 18% of its entire oil supply. The property tax base of Lafourche Parish may lose as much as $30 million to $40 million dollars of its total current annual average of $80 million in tax revenues if the moratorium remains in effect.

The Port of Iberia's primary function is to support the offshore oil and gas industry in the Gulf of Mexico. It is a sixty year old fabrication and service port that supports over 100 different businesses with a workforce of 5,000 employees, a payroll of $165 Million and an economic impact of $1.4 Billion. Its labor force comes from the surrounding seven parish area. The Port's predominant activity is producing topsides for large production platforms. Other port tenants support the offshore industry by supplying some of the basic parts needed by many segments of the industry. Pressure vessels used in component fabrication, corrosion resistant pipe used in the fabrication process and pipe used for subsea delivery completion units and oil / gas transmission are also manufactured and fabricated at the Port of Iberia.
In an economic study recently completed by Dr. James A. Richardson, LSU, in June of 2009, he noted that the Port of Iberia region of the State has accounted for the fastest growing part of the State for the past eight years and that this growth was driven by the energy markets and grew despite two major hurricanes (Katrina and Rita). It has certainly been a growth engine for the State. Fabricated metals and manufacturing machinery industries are a major economic driver in the area and the industries are almost entirely oil and gas related.

Question #5 – Timeframe of Moratorium

In previous testimony, you have cited a June 1st, 2010 Morgan Stanley report estimating a 60 percent chance that the moratorium will last at least a year to 18 months. This same report estimates a 35 percent chance that the moratorium could last 4 years and only a 5 percent chance that deepwater drilling will resume by next February. This type of report bases these estimates on a concern of the Administration's ability to quickly promulgate regulations in a timely fashion.

This committee has previously heard testimony about the *de facto* shallow water moratorium, an area where drilling has come to a near halt due to slow permitting.

- If the Administration determined tomorrow that the moratorium is impacting the Gulf Coast economy and set about promulgating new regulations, what is a conservative estimate on how long it may take for actual drilling to resume in the Gulf?

That is going to depend on what the new rules require, the time of year the rules are enacted and how long the delay might be. The longer the moratorium is in place, the longer it is going to take to get the deepwater drilling rigs back in place and operational. I am estimating that it could take months to get the industry back to where it was before the Deepwater Horizon incident. The longer the moratorium stretches, the greater the risk that deepwater operators will commit assets and employment to other parts of the world – making commitments that will not all for a return to the Gulf for months or years beyond the eventual end of the moratorium.

- Can you outline the process now for getting a shallow water drilling permit?

The shallow water permitting process now centers on the interpretation and execution of BOEMRE NTL's 05 and 06, issued earlier this year, and drilling has come to a near halt, even as the industry has reached out to the regulator to find a way forward. In 2009, before the moratorium, the lowest new permit total for a single month in OCS shallow waters was eight. The number of new shallow-water permits approved in the three months after the deepwater moratorium combined, five, did not even match that low-water mark. We have hosted over a dozen conference calls, each with 25 to 30 participants, since June 22, and a well-attended workshop for industry to get into the details on exactly what is being required within the NTL-06, yet since this effort begin, permits for only two new wells have been issued under that guidance — and this is in an area that both the President of the United States and the Secretary of Interior have publicly stated are open for drilling. It is critical that BOEMRE employees operate within a culture that allows them to issue the very permits that the President and the Secretary have indicated are available. We have heard from a variety of folks within the agency that they are fearful to lose their jobs if they do their jobs in issuing permits. I think it is a concern worth revisiting and providing an increased management review of the shallow water permitting, at the most senior levels of our federal government.

Question #6 – Inland vs. Coastal Impact

Dun & Bradstreet's testimony before my committee last month noted that only 27 percent of small businesses impacted by the moratorium are located in coastal counties. 73 percent are located inland "suggesting that a moratorium could be felt more broadly throughout the Gulf Coast states." An example is that in Lafayette Parish alone, 780 businesses with 10,500 employees are potentially impacted.

- Can you describe in greater detail this possible upstream/downstream impact of the moratorium?

The simple answer is that no industry operates in isolation. If an auto manufacturing plant closes, the impact is felt by the local community and by the vendors who sell parts and components to that plant. These are always ripple effects. A worker loses a job on a rig, so he spends less at the grocer, auto dealer, movie theater, restaurant, gas station, and other small businesses. Each of these places then reduces their orders to their suppliers, who then are losing business, so they reduce orders to their suppliers, and the cascade effect continues. The loss of earnings leads to spending cuts, which impacts many more businesses. At the same time, the rig that is not now operating will need fewer gallons of fuel, less food from caterers, less pipe from a pipe fabricator and fewer services from supply vessels. Less business to the caterer means fewer purchases from vegetable growers, chicken farmers, cattlemen and bakeries that may be located all over the southern part of the state. The cattleman will need less feed, which may affect farmers two parishes away.

Downstream refers to refining and marketing operations, while upstream refers to exploration and production activities. Thus vendors who supply the obvious support activity, such as welders, boats, helicopters, catering services are immediately impacted. Next the vendors who do business with those companies are adversely impacted and so on down the line. Today, refinery margins are low and refineries are not operating at near total capacity. Thus some refineries are taking some units out of service and some refineries are being closed. Each refining job supports 11 other jobs, according to a study conducted by Louisiana Mid-Continent.

The oil and gas industry has enjoyed a mutually beneficial relationship over the past 100 or more years. The Deepwater Horizon event was a disaster in that 11 people died. However, just as we keep flying after an air plane crash, keep driving after a car accident, a rebuild after a hurricane, there is no reason to halt drilling in the deepwater Gulf for one tragic incident.

Chair Mary L. Landrieu
Small Business Committee Hearing: "The Deepwater Drilling Moratorium: A Second Economic Disaster for Small Businesses"

Questions for Ms. Charlotte Randolph, President, Lafourche Parish

Question #1 – President Obama Meeting:
It is not often that we have witnesses before our committee that have discussed the hearing topic with the President of the United States. With that in mind, on May 28th you had the opportunity to personally ask the President to reconsider his decision on the moratorium.

- Can you tell us a little more about this discussion with the President and the follow up from his visit?

The President's response to my request that he reconsider his decision on the moratorium was that he felt that the mood of the nation was such that he was compelled to take this action. He cited the 24/7 news media coverage of oiled birds and beaches influencing public opinion. I reminded him that unemployment and energy costs would rise as a result of his action, but he was unswayed. He did offer to send an economic team to study the ban's impacts, but the team did not arrive until late July, and the members were initially directed to focus on the effects of the oil spill. I also mentioned the amount of royalty revenue derived from the Gulf waters and he conceded that potential loss.
The topic then turned to coastal restoration projects. Mr. Obama said that this was an opportunity to address some of the projects, with BP assisting in funding.
On the beach, I pointed to the visible near shore platforms and reminded him of the safety record of the industry, noting that some 50,000 rigs had been drilled in 60 years in the Gulf. Dolphins were playing as we talked and I told him of the happy coexistence of commercial fishing with the energy industry.

In your testimony, you mention that 9 of the top 10 taxpayers in Lafourche Parish are located in Port Fourchon. This is because Port Fourchon services all 33 rigs impacted by the moratorium. How are small businesses faring in Port Fourchon under the moratorium?

Barely eking by. September is a pivotal time for them, for they have just about exhausted any excess resources. The owners are being very tight-lipped about their current status in the event a rare job is offered.
An example: Schlumberger consolidated its Venice office with Larose (in Lafourche Parish), building a $3 million building to house hundreds of workers. Now most of those workers have been transferred throughout the country and the world, with a staff of 10-20 people at most. The restaurant next door to Schlumberger has experienced a 30-40% reduction in business.
Independent mechanics and welders who would normally service both the commercial fishing and marine support vessels have not worked in two months. The claims process is thus muddled because BP will only pay for their fishing clients, not work on the tugboats that are affected by the moratorium.
Trucks are idle at the trucking companies, reducing the local gas stations' normal sales.

Question #2—Importance of Energy Industry to Coastal Communities:
In his testimony, Dr. Mason from LSU discussed how important the energy industry is to local communities such as those in your parish. Not only are there the direct jobs created by those working on

the rigs, but entire communities also are tied to this industry through local economic activity generated by rigs, their workers, and related businesses.

- For the record, can you outline how important the energy sector is to communities such as Port Fourchon in your parish?
- **With deepwater drilling, the oil and gas industry has experienced a sharp increase in business, and thus needed additional employees to man the vessels, to work at the Port, in general to service the industry. Aside from excellent pay, the service industry competed for workers by offering superior benefits. This resulted in a huge majority of the parish residents seeking medical care to be insured. There are three hospital in the parish, as well as perhaps two hundred physicians who benefited from this situation, for we all know how little the government pays on its own programs. Of course this meant additional office personnel and health care professionals. Now the medical sector is suffering.**
- **The parish school board planned a new career school, aimed at the students who are not destined for college. Because the state had begun to experience some of the national economy's problems, some parish teachers were laid off prior to the spill, for this new school year. With the uncertainty surrounding the moratorium, and the potential for a reduction in ad valorem taxes, the career school project has been postponed indefinitely.**
- **The Greater Lafourche Port Commission, which governs Port Fourchon, has reduced the rent it charges its tenants by 30%. This decrease in revenue will postpone indefinitely any expansion projects planned for the future, and affect the commission's ability to match state and federal grants. The toll road leading to Port Fourchon, which was built with borrowed money, can only be timely repaid with a steady stream of vehicles traversing it. Those numbers have declined.**
- **The parish had planned to seek voter approval in October to redirect some taxes to fund a new jail to replace our antiquated, overcrowded detention center. We must delay any action on improving our current jail until we can assess the impact of the ban on funding sources.**
- **A reduction in taxes will alter public works projects, including roads and pumping stations, and could change garbage service, depending on the impact. Quality of life issues will suffer.**

Deepwater Activity Gulf of Mexico

In the chart below we will try to explain the effect the Deep Water Moratorium has had on a once thriving small business that supports the Gulf of Mexico (GOM) Deep Water drilling market. Through much effort we tracked the 35 Deep Water Rigs that are in the Gulf of Mexico and their current status. Once the status was established we drilled deeper into the history of work performed for these companies and the opportunities they should have presented for our company. With this information we were able to project a value that this work would have meant to Rig-Chem. We as a company believe this number to be conservative as we projected a minimum amount of products for the wells that have been postponed or cancelled. Also comparing the projected loss with the actual down revenues from 2009 the numbers are in line.

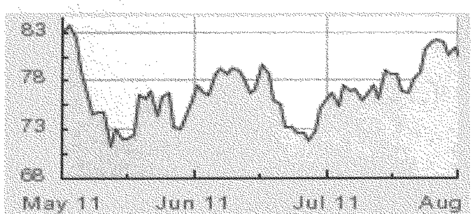
Deep Water Rigs

Rig Name	Company	Status	Rig-Chem Opportunity	6 Month Loss Revenue
Transocean Amirante	ENI	Stand by Due to Moratorium	ENI Has Been Purchasing RC-4	82,566.00
Development Driller I	BHP	Drilling Bp Relieve Well	Riser Packages & RC-4	138,138.00
Development Driller III	Bp	Drilling Bp Relieve Well	Minimal / Working on Contract with Bp	0.00
Transocean Marianas	ENI	Shipyard / ENI Declared Force Majeure	ENI Has Been Purchasing RC-4	82,566.00
Deepwater Nautilus	Shell	Stand by Due to Moratorium	We Do 50% Shell Work	150,000.00
Discover Americas	Stat Oil	Declared Force Majeure	Could be Opportunity	0.00
Discover Clear Leader	Chevron	Declared Force Majeure	Riser Packages & RC-4	109,000.00
Discover Enterprise	Bp	Collection Vessel for Blow Out	Minimal / Working on Contract with Bp	0.00
Discover Deep Seas	Chevron	Stand by Due to Moratorium	Riser Packages & RC-4	109,000.00
Discover Inspiration	Chevron	Declared Force Majeure	Riser Packages & RC-4	109,000.00
CR Luigs	BHP	Shipyard Due to Moratorium	Riser Packages & RC-4 & Completion	325,000.00
Deepwater Pathfinder	ENI	Stand by Due to Moratorium	ENI Has Been Purchasing RC-4	82,566.00
Discover Spirit	Anadarko	70 Day Standby	PDR Solvent	65,000.00
West Sirus	Bp	??	Minimal / Working on Contract with Bp	0.00
Deep Ocean Ascension	Bp	Under Testing	Minimal / Working on Contract with Bp	0.00
Amos Runner		Hot stacked		
Noble Clyde Boudreaux	Noble	Stand by Due to Moratorium	Minimal / Working on Contract with Bp	0.00
Noble Danny Atkins	Shell	Stand by Due to Moratorium	We Do 50% Shell Work	0.00
Noble Jim Thompson	Shell	Stand by Due to Moratorium	PDR Solvent	65,000.00
Noble Lorris Bouzigard	LLOG	Stand by Due to Moratorium	PDR Solvent & Displacement	300,000.00
Noble Paul Romano		Hot Stacked		
Mersk Developer	Stat Oil	Declared Force Majeure	Could be Opportunity	0.00
Hercules 75		Cold Stacked		
Hercules 77		Cold Stacked		
Hercules 78		Cold Stacked		
Ocean Monarch	Anadarko	Declared Force Majeure	PDR Solvent	65,000.00
Ocean Saratoga	Taylor	Stacked Hurricane Season	Minimal	0.00
Ocean Victory	ATP	??	Minimal	0.00
Ocean Voyager		Hot Stacked		
Ensco 8500	Anadarko	??	PDR Solvent	65,000.00
Ensco 8501	Noble	??	Minimal	
Ensco 8502		Accepting Testing		
Atwood Richmond	Rooster Petroleum	Stand by Due to Moratorium	Minimal	0.00
			Total	1,747,836.00

Shelf Activity Gulf of Mexico

The Deep Water Moratorium was thought to affect only the wells with BOP's 500' below the water. The fact is since the Horizon incident it has affected all of the drilling and completion work in the GOM. In the chart below we have gathered data on all the drilling rigs available in the Gulf of Mexico and their status. We have also put a projected number on the loss revenue opportunities on the shelf wells not completed. These numbers are based on just rigs that are stacked and working. Reality is, there are many rigs operating under contracts that are standing by waiting on permits to begin working. This number was not included in the projected losses.

Shelf Rigs Platform & Jack-Up's			
Date	Available Rigs	Stacked	% Working
March 8th Before Horizon Incident	127	69	46.00%
August 9th After Horizon Incident	138	95	31.00%
		5 Month Span Reduction	15.00%
		Rig-Chem Revenue Opportunity Loss	$263,484.00



Oil Pricing May thru August 10,2010

The reduction in operating rigs for the shelf has not followed the normal trend.

Normally with the increase in the price of oil the rig count goes up.

One closing statement that needs to be recognized is the operators work on budgets just like any operation in America and paying for rigs that are under contract and not working is a direct cost with no return. The monies that are spent on the non working rigs will decrease the amount of future wells that were slated for drilling and completing. This in turn decreases the opportunities presented to all the companies that support our industry. Long term effects will be crippling to the economies that support and depend on the oil and gas industry. While many people are under the impression that this will be just in the oil producing states that support the Gulf of Mexico. The fact is it will hurt the country. We are one small business operating in South Louisiana that purchases the majority of its goods from Atlanta, Georgia to as far away as Howell, Michigan. These vendors depend on the success of Rig-Chem just as all of our employees do. Rig-Chem can represent as much as 30% of these vendors business. I implore who ever is reading this to take action in educating the people that can make a difference and LETS PUT OUR PEOPLE AND INDUSTRY BACK TO WORK!

Rory Oncale
General Manager
Rig-Chem, Inc.

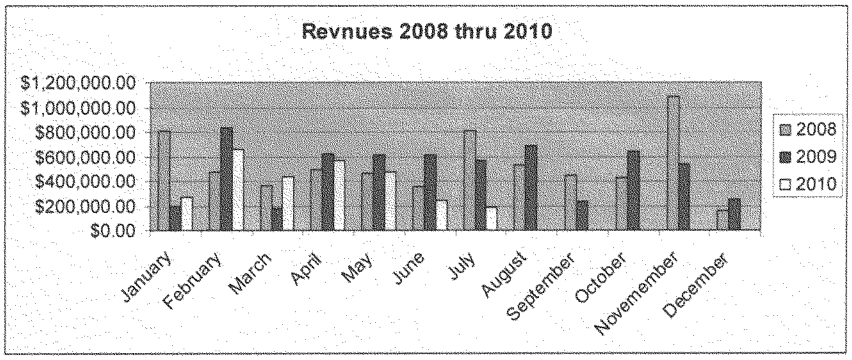
ʼeep Water Work History

DEEPWATER WORK HISTORY

PROJECT	OPERATOR	LOCATION	WATER DEPTH	DATE
Silvertip	Shell	Alaminos Canyon Block 857	9356'	
		Well SA002		10/08
		Well SA001		12/08
Blind Faith	Chevron	Mississippi Canyon Block 696	7016'	
		Well #3		12/07
		Well #1		11/07
		Well #4		09/07
		Well #5		12/07
Shenzi	BHP	Green Canyon 653	4500'	
		Well K1-2		11/07
		Well G1-1		01/08
		Well G1-2		02/08
		Well C1-4		04/08
		Well G1-3		06/08
		Well B2-4		07/08
		Well K1-3		07/08
		Well SB202		12/08
		Well SC102		02/09
		Well SB 2-2		02/09
		Well SB 2-3		06/09
		Well G1-4		08/09
Demois	Shell	Mississippi Canyon Block 762	3006'	
		Well DM#003		11/07
		Well #2 ST1		01/07
		Well #1 BP4		06/06
Neptune	BHP Billiton	Atwater Valley Block 574	6347'	
		Well SB #02 ST1		01/08
		Well SC#01 ST3		10/07
		Well #03		08/07
		Well SC#02		12/06
		Well SB 02		10/09
	Remington	Garden Banks Block 506	2900'	
		Well #3		12/07
		Well #2	2897'	06/07
Ursa	Shell	Mississippi Canyon Block 809 A#4 ST2	8700'	03/06
Tahoe	Shell Offshore	Viosca Knoll 783	1525'	
		Well A#6		08/08
		Well A#3		10/96
		Well A#2		08/96
		Well A#1		07/96
		Well #5		05/96
Tahiti	Chevron	Green Canyon Block 596 & 640 PN#001	4300'	
		Well PN#001		05/07
		Well SS#001		03/07
		Well PS#003		01/07
		Well PN#002		10/06
		Well PS#001		05/06
		Well PS#002		12/06
		Well PS#008		02/10
Mensa	Shell Offshore	Mississippi Canyon 686	5300'	
		Well A#5		02/08
		Well A#4		03/03
		Well A#2		07/98
		Well A#3		09/97
		Well A#1		05/97
Fuji	Texaco	Green Canyon 506 Well #2	4275'	01/98
		Green Canyon 505 Well #1	4275'	08/97
Oyster	Marathon	Ewing Bank 917 Well #1	1267'	03/98
Genesis	Chevron	Green Canyon 205	2600'	
		Well A#1		01/02
		Well A#17		07/01
		Well A#15		04/01
		Well A#16		01/01
		Well A#8 ST#1		11/00
		Well A#7		08/00
		Well A#12		06/00
		Well A#6		02/00
		Well A#5		12/99
		Well A#4		09/99
		Well A#3		06/99
		Well A#14		02/99
		Well A#2		01/99
Typhoon	Chevron	Green Canyon 237	2066'	
		Well #2		06/05
		Well #1		03/05
		Well #3		03/05
Popeye	Shell Offshore	Green Canyon 116	2046'	
		Well A#4		02/02
		Well A#1		04/99
Gemini	Texaco	Mississippi Canyon 292	3400'	
		Well #4		08/99
		Well #3 ST#1		07/99
		Well #1		04/99
San Jacinto	Dominion	Desoto Canyon Well #SS002	7859'	09/05
		Desoto Canyon Well #1	7903'	08/05
Bullwinkle	Shell Offshore	Green Canyon 65	1350'	
		Well A#18		06/06
		Well A#17		01/06
Angus	Shell Offshore	Green Canyon 113	1968'	
		Well A#3		07/99
		Well A#4 ST		06/99
		Well A#2		06/99

DEEPWATER WORK HISTORY

PROJECT	OPERATOR	LOCATION	WATER DEPTH	DATE
Macaroni	Shell Offshore	Garden Banks 602	3693'	
		Well A#4		01/01
		Well A#2		11/99
		Well A#5		07/99
Ram Powell	Shell Offshore	Viosca Knoll 956	3214'	
		Well A#10		10/05
		Well A#3		04/05
		Well A#19		02/05
		Well A#9		06/04
		Well A#13		12/99
Petronius	Chevron	Viosca Knoll 830	1004'	
		Well A#3 ST		06/07
		Well A#19 ST		05/06
		Well A#9 ST		02/06
		Well A#7 ST		06/05
		Well A#10 ST		04/05
		Well A#20		08/04
		Well A#21		12/02
		Well A#13		11/02
		Well A#11		06/02
		Well A#16 ST		06/02
		Well A#14		04/02
		Well A#8		01/02
Agate	Phillips	Ship Shoal 361 Well #3	400'	01/00
Typhoon	Chevron	Green Canyon 237	2000'	
		Well #1 WB #2		06/01
		Well #2		04/01
		Green Canyon 236 Well #2		03/01
		Well #3 WB #2		11/00
Princess	Shell Offshore	Mississippi Canyon 765	3637'	
		Well P#5		05/06
		Well P#3		12/04
		Well P#2		07/03
		Well P#4		06/03
Llano	Shell Offshore	Garden Banks 386		
		LL#1	2518'	04/04
		LL#2	2632'	03/04
Glider	Shell Offshore	Green Canyon 248		
		GL#3	3440'	07/04
		GL#4	3256'	07/04
		GL#5		04/10
Auger	Shell Offshore	Garden Banks 426	11/07	
		Well A#10		02/08
		Well A#13		07/07
		Well A#8		04/07
		Well A#2		01/07
		Well A#18 st1		07/06
Manatee	Shell Offshore	Green Canyon 155	2021'	02/05
Crosby	Shell Offshore	Mississippi Canyon 899	4389'	
		Well Pastel Pink		10/05
		Well A#6 ST#7		10/01
		Well A#5 ST#2		07/01
		Well A#7		07/01
Oregano	Shell Offshore	Garden Banks 559	3393'	
		Well #2 ST#3		08/01
		Well #1 ST#1		07/01
Europa	Shell Offshore	Mississippi Canyon 934	3875'	
		Well A#6		01/06
		Well A#5		12/05
		Well A#3		05/05
		Well A#4		07/01
Serrano	Shell Offshore	Garden Banks 472	3392'	
		Well SE#3		05/05
		Well #1 ST#3		09/01
Einset	Shell Offshore	Viosca Knoll 872 Well #1	3463'	12/01
Devil's Tower	Dominion	Mississippi Canyon 773	5610'	
		Well # A-5		03/05
		Well #7		01/02
		Well #6		12/01
Triton	Dominion	Well #4	5424'	02/05
		Well #1	5424'	01/05
Rigel	Dominion	Well #1	5301'	02/05
Seventeen Hands	Dominion	Well #1	5953'	03/05
		Fouviev #F4		11/02
		Mississippi Canyon 613	7570'	
		Coulomb C#3		05/04
		Mississippi Canyon 657	7565'	
		Coulomb C#2 ST#3		04/04
Habanero	Shell Offshore	Garden Banks 341	2013'	
		Well #1 ST#4		06/03
		Well #2 ST#1		05/03
Perdido	Shell Offshore	Alaminos Canyon 857	8105'	
		Great White GB-003		04/09
		Great White GB-004		05/09
		Great White GB-002		07/09
		Great White GB-001		10/09



Revnues 2008 thru 2010
$1,200,000.00
$1,000,000.00
$800,000.00
$600,000.00
$400,000.00
$200,000.00
$0.00
January
February
March
April
May
June
July
August
September
October
Novemember
December
2008
2009
2010

MORATORIUM EFFECT ON RIG-CHEM, INC.
Written by: Jan S. Brunet, CPA – Controller for Rig-Chem, Inc.

Rig-Chem, Inc.'s sales, since the moratorium on deep water drilling was issued on May 27, 2010, has decreased by 63.25% from its pre-moratorium average sales (January 2008 to May 2010). Its Cost of Goods Sold has decreased by 62.31% with Gross Profit decreasing by 64.05%.

What this means to Rig-Chem, Inc. and its suppliers of product is that they must now work with approximately 64% less revenue coming in to support the expenses of their businesses.

While this has occurred, expenses (other than cost of goods sold) have only dropped by 5.75%. Therefore, Rig-Chem, Inc. must reach into its reserve or borrow money in order to maintain its employees and overhead during this time period. The alternative would be to layoff employees, cut pay, reduce benefits, etc. in an effort to reduce expenses.

Certain expenses, such as insurance, rent, telephone, and utilities must be paid in order to keep the business open for when the moratorium is lifted and we can go back to work. These expenses are fixed and do not fluctuate with sales, as does cost of goods sold.

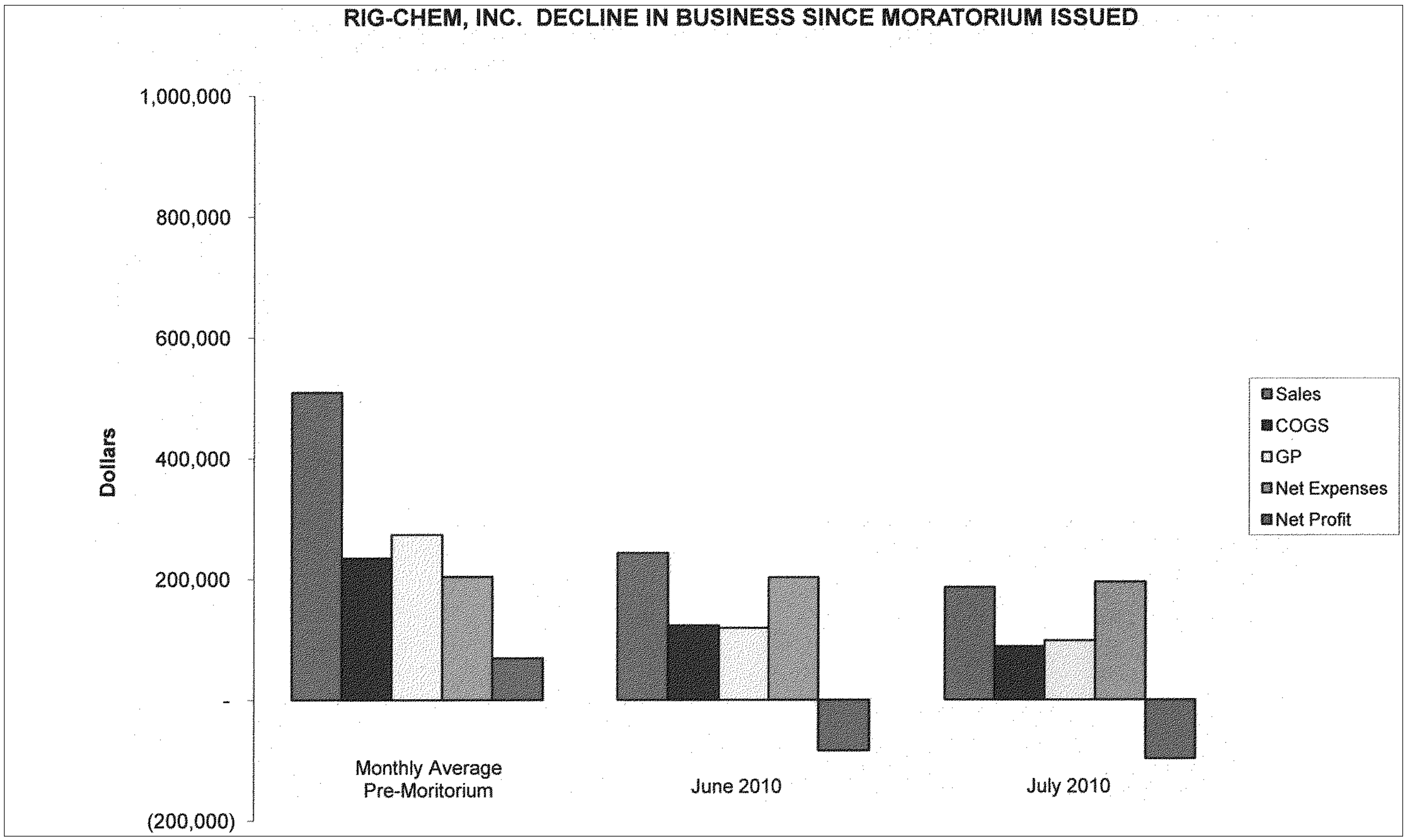
Some companies have not yet felt the effect of the moratorium, having shifted their assets to use in the cleanup effort. Rig-Chem, Inc. has been able to offset its decline in revenue by 1.1% with sales related to the oil spill cleanup. However, the cleanup efforts are now slowing down since the well has stopped flowing oil into the Gulf of Mexico. Therefore, more and more companies will begin to feel the true effect the moratorium is having on the oil and gas industry and South Louisiana in general.

Rig-Chem, Inc., along with many other small businesses, will only be able to sustain our position for so long. If this moratorium is not lifted, and permits do not begin being issued, we, like so many other small businesses, will be forced to make the tough decisions which will include layoffs, salary cuts, reduction in benefits to employees, etc.

Our employees have been faithful and loyal to us over the years and this is a very difficult decision to have to make. Should it come to this, not only will it affect the employees who lose their jobs directly, but also every other small or large business that they would normally frequent to spend some of the money they had earned. The effect will not only be on the oil and gas industry, but all industry which is supported by the earnings of the oil and gas industry employees.

The attached chart displays the deep declines in sales, cost of goods sold, gross profit and net profits which have been sustained by Rig-Chem, Inc. since the moratorium has been issued. It also shows that net expenses have not declined at the same rate, nor will in order for us to keep our company alive for when this is over.

We are only one small business which has been affected by this moratorium. While our numbers may seem miniscule in the big picture, multiply these numbers by the number of affected businesses. The number is not so small anymore.


RIG-CHEM, INC. DECLINE IN BUSINESS SINCE MORATORIUM ISSUED
Dollars
1,000,000
800,000
600,000
400,000
200,000
-
(200,000)
Monthly Average
Pre-Moritorium
June 2010
July 2010
Sales
COGS
GP
Net Expenses
Net Profit

IBERIA PARISH GOVERNMENT
Courthouse Building, Suite 400
300 Iberia Street, New Iberia, LA 70560-4543
(337)365-8246 • Fax (337)369-4490
www.iberiaparishgovernment.com

Ernest Freyou
Parish President

August 17, 2010

Senator Mary Landrieu
Senate Small Business Committee

RE: Impact of 6-Month Moratorium on Small Businesses and Local Communities

Dear Senator Landrieu and Committee Members:

It is with regret that I could not be present for this hearing on the economical impact of the six-month deepwater drilling moratorium on our local businesses and our local economy.

As you know, Louisiana's coast is a working coast unlike any other in the United States. For decades, America has relied on Louisiana's coastal communities for both bountiful seafood and the energy that fuels the nation and Louisiana has relied on a strong oil and gas sector, made mainly of small businesses, to keep its communities growing and to provide opportunities for its citizens. Iberia Parish is no exception.

Located on US Highway 90, future corridor of Interstate 49 South also known as America's energy corridor, and a proud Acadiana Parish; Iberia Parish has been at the forefront of energy production and is home to hundreds of businesses (over 97% of which have less than 25 employees) that rely, both directly and indirectly, on the energy related business that comes by water through the Port of Iberia, by air through the Acadiana Regional Airport, by rail and by road. A truly intermodal Parish, Iberia Parish has provided a connection for small businesses to the Gulf of Mexico for the 600,000+ citizens of the Acadiana region.

Iberia's businesses are tough as well. Hurricanes Katrina, Rita, Gustav and Ike could not keep us down and our hard working citizens have picked themselves up time and again to rebuild and recover and Iberia's small businesses have provided the critical jobs that keep them here and rebuilding.

Recent economic outlooks both nationally and internationally have challenged small local business and have forced many to do more with less. Since the recent oil spill and the uncertainty caused by the threat of a prolonged moratorium, Iberia's businesses are even more uncertain about their futures than ever. Many Iberia businesses have laid off fearing uncertainty resulting in recent unemployment rates of over 8.0% from a 2007 low of 2.2%. This will also affect our local tax dollars

Senator Mary Landrieu
Senate Small Business Committee
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which in turn will affect the services we will be able to provide to our citizens. Upkeep on current infrastructure, new infrastructure, and just keeping our heads above water to provide day to day operations will be a challenge.

Iberia's small businesses need our support during these uncertain economic times. I urge you to continue to support Iberia's small businesses by lifting the moratorium and providing the stability necessary for businesses to invest in their future and create jobs for our hard working citizens.

Thank You,

Ernest Freyou

Ernest Freyou
President
Iberia Parish Government

MARK K. MILLER
310 Greenhill Circle
Broussard, LA 70518

My name is Mark Miller. I own Merlin Oil & Gas and MKM & Associates, Inc. a small oil & gas exploration Company, and also provide petroleum landman consulting services through MKM.

I moved from Charlotte, North Carolina to Lafayette, Louisiana in 1980 to start a career in the oil & gas business. I have approximately 32 landmen and staff working in my company.

Recent events have changed the course of our industry and the direct impact it has on the **workforce** and **citizens** of Louisiana and the Gulf Coast.

The oil spill was unexpected, but the moratorium was a calculated decision. And, while I am convinced the industry did need to take a serious **"time out"** to examine multi-decade old regulations. We have been put in a serious bind with the moratorium lingering in place.

Let me explain…..3 years ago the oil & gas industry changed directions by devoting large sums of capital into what we call "**Resource Plays**". These are the exploration plays that you are no doubt familiar with….such as the

Barnett Shale around DFW airport in Texas, The Eagle Ford Shale play in south Texas, the Bakkan Shale play in Montana and Wyoming, and the Marcellis Shale play in New York and Pennsylvania.

The risked dollars are significantly less in theses horizontal trend plays.....as compared to south Louisiana, even though the return on investment is not as high as we have here in south Louisiana. Louisiana has been the second most prolific oil producing state in the lower 48 for the past 5 decades. In 2008...Wall Street began to gravitate to the resource plays for less risk, and the target product in most of the resources plays is natural gas. This departure, has left south Louisiana stagnant......in terms of drilling activity..and exploration dollars.
In simple terms ..ALL of the projects that my land company has been working on in earnest, for the last 3 years...have been in the resource plays...hundreds of miles outside of the Gulf Coast area..

Now, if you add the Moratorium into the equation... and south Louisiana is really getting hammered!!...Even the companies that are not constrained from drilling in the actual "deep water" defined as 500 feet and deeper are suffering the wrath of the Moratorium.
My own company owns interest in MMS leases in 200 feet of water that our

exploration group is reluctant to pursue.... until the mire unfolds surrounding what is going to happen next in the Federal regulatory environment.

Effectively, we have millions of dollars of capital on the starting line, but are unsure whether or not to spend it.

Industry is scared!!!..and so are the investment dollars which are drying up, along with new contracts, new projects and current jobs.

The Lafayette area has suffered a **double whamme** from the redirection of drilling efforts to other parts of the country, and the moratorium has amplified the situation....

We respectfully request the help of this sub committee and members of Congress to carry the message back to Washington, that the Moratorium has helped intensify the oversight of the MMS drilling process...(Mission Accomplished!!!) and based upon the record of our industry should now be lifted before it tears apart the very fabric of the energy business ...and the lives of our hard working men and women in the Gulf Coast!!

On behalf of our Community, myself and my family we appreciate you all taking the time and effort to visit Lafayette to listen and understand the hardships created by the Moratorium.

In conclusion, we implore you to act quickly to protect an already battered way of life here in coastal Louisiana,.... after a litany of successive hardships with 2 major Hurricanes, a worldwide Recession. an oil spill and now the death grip of the Moratorium.

TEA Party of Lafayette

TEA PARTY OF LAFAYETTE - Press Release – August 17, 2010

Contact: Joyce Linde/Coordinator – 337.232.4495

The TEA Party of Lafayette questions the reason that the Senate Field Hearing being hosted by Senator Mary Landrieu is presented with little notice and why the time of the event was not included in the Advertiser. This article clearly states that the public is invited but will not be allowed to speak or ask questions. While it is true, there are a few invited guests such as Mr. Goodson, Charley G's Restaurant and Mr. David Dewitt who will speak on the impact of the moratorium upon small businesses; most of us will not have an opportunity to speak with the Senator or other officials.

It is important that the government committees gather facts, but has not this been done already? After all, the Gulf Oil Moratorium has been in effect since May 2010. What is going on is clearly obvious and this is a waste of taxpayer dollars and an insult to those who are being hurt by this government-imposed moratorium. Pres. Obama has been here several times and our voices have been loud and clear....**'LIFT THE GULF OIL MORATORIUM!"** At the **"Rally of Economic Survival"** we provided over **11,000** reasons for the Gulf Oil Moratorium to be lifted. Why have we not been heard? Where are the Senators and Representatives of the great State of Louisiana and this nation what are they doing when our livelihood and culture is at stake? There is no reason for this moratorium to continue. Why is Senator Landrieu not speaking out in as boldly as is Senator Vitter in what threatens to be an even greater devastation to Louisiana than Hurricane Katrina and Rita?

In addition, Senator Landrieu also voted for the "government controlled health care plan" and that is hurting small businesses as well as individuals. Keep in mind that she and other elected representatives will not participate in this plan but will have their own separate and elite plan for which we, the taxpayer are paying.

Furthermore, my daughter recently told me that their health insurance premium was increased and their deductible increased in anticipation of Obama Care... Instead of a $500.00 deductible...they are faced with a $2500.00 deductible and this is on each member of a family of four. Was Senator Landrieu's premium increased or will she and the others ***"who work for us"*** still be enjoying their benefits at our expense?

Another young father that I spoke with has a daughter with severe health problems. His company policy will soon be taxed as income and his daughter's college tuition will soon no longer be tax deductible. How is he to continue providing for his family of three with good health care and the education that he has planned on and saved for when he is hit with these types of expenses? This stifles initiative and angers the hard- working Americans.

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It is time that the people that we elect live by the rules they write for us. They need not to be exempt as if they were elite. It is time that they hold town halls where they allow the citizens to speak directly with them and they listen to those of us who work hard, pay taxes and make every effort to obey the laws of this great nation.

The Tea Party of Lafayette also wants a peaceful and informative event, however we want to have a voice and we want that voice to be heard. We are tired of the attack upon the middle class American and we are angry that we have worked, saved and played by the rules and now those rules are being changed so radically that we are not able to enjoy the fruits of our labor....nor will our children inherit that which is ours to give.
Tell me, Senator Landrieu, why is a tax increase being planned on the dividends of our investments? This planned increase rises from 15% to 39.6% and will hit retirees who live off of their investments the hardest. Is this the reason we worked and saved our money so that it could be taken by the government? We do not want the government to tax our estate at 55%after the first million (for those who have worked hard enough and been frugal enough to have it). Where will this money go? It will not go to our loved ones, our children, our grandchildren....but to some stranger or some government program. Is this the America that you know...the land of the free? We worked for this money, we saved this money and we want it to go to our heirs... But yet Senator Landrieu and others just keep on spending if there were no end to the money. When does this end?

Furthermore, we are supposed to sit quietly while they discuss what is already known. Mary and Charles Melancon refused to have town hall meetings where there was a real interchange and from what I have read, this is another one of those events. Mr. Obama has made trips to the coast as have others. How many fact-finding missions do they need prior to doing what is right?

The Washington politicians are out of touch with their constituents and it is time for them to hear us and respond to the fact that we want the Moratorium lifted and to let our people return to work. We want to Repeal Obama Care. Originally over 60% of the American People did not want this government control of our health care, yet they rammed it down our throats. Now the percentage is even higher and they still refuse to listen. Who are they representing?

The TEA Party of Lafayette makes every effort to be respectful and to follow the rules and guidelines of what the sponsor of an event envisions. As a group, we want to work within the system in a peaceful way but we want to be heard and respected. When does this begin?

It is time for us to remember these words written in 1863 in The Gettysburg Address: "That this nation under god, shall have a new birth of freedom-and that government of the people, by the people, for the people, shall not perish from the earth."
Joyce Linde/Coordinator/ TEA Party of Lafayette
joycelinde@teapartyoflafayette.com;