

The Impact of Decreased and Delayed Drilling Permit Approvals on Gulf of Mexico Businesses

January 30, 2012



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Executive Summary

Greater New Orleans, Inc. conducted this research with the purpose of documenting the "hidden victims" of the oil & gas drilling permit moratorium and slowdown in the Gulf of Mexico –the off-shore supply and service companies which are dependent upon the Gulf of Mexico for business. Data was collected using an online survey completed by Louisiana off-shore supply and service companies (n = 102). Industry of respondents' affiliation ranged from health and safety, to transportation, to oil & gas production. Marine services and ship owners/operators tied for the most respondents (29.4% each). The majority of respondents' corporate headquarters are located in Louisiana.

Key Findings

41% of businesses are not making a profit.

76% of businesses have lost cash reserves.

27% of businesses have lost more than half of their cash reserves.

50% of businesses have laid off employees as a result of the moratoria.

39% of businesses have retained workers but reduced salaries and/or hours.

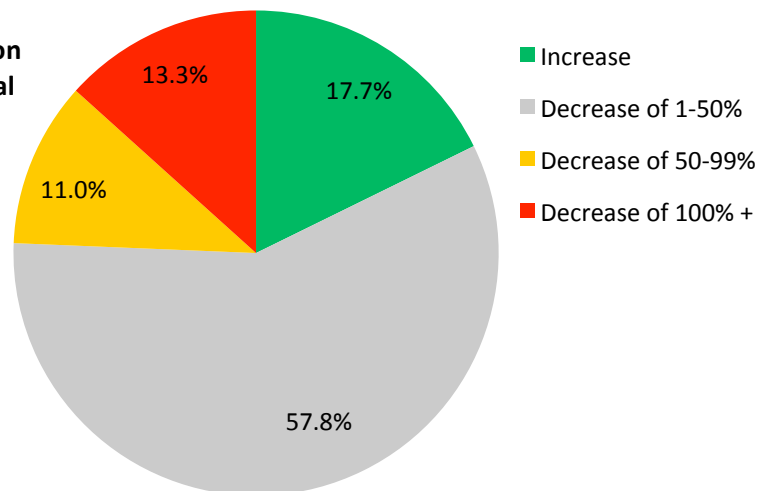
65% of businesses have not hired, or just replaced lost workers.

46% of businesses have moved all or some of their operations away from the Gulf of Mexico.

82% of business owners have lost personal savings as a result of the permit slowdown.

13% of business owners have lost all of their personal savings as a result of the slowdown.

Impact of the Moratoria on Business Owners' Personal Savings



Background

On April 20, 2010, the *Deepwater Horizon* oil rig exploded in the Gulf of Mexico, killing 11 people and triggering the largest oil spill in United States history. On May 30, 2010, the U.S. Department of the Interior Minerals Management Service issued a six-month moratorium on all new and existing deep-water drilling, effectively shutting down oil and gas industry operations along the Gulf Coast. The policy halted approval of any new permits for deep-water drilling and suspended production in the Gulf, affecting 33 rigs operated by large oil and gas companies and thousands of small- and medium-sized businesses that support oil and gas production. With 88% of U.S. offshore rigs located on Louisiana's Outer Continental Shelf (OCS)¹, Louisiana businesses and coastal communities felt the majority of the moratorium's impact.

While the official halting of operations only included deep-water drilling (in depths of over 500 ft.), Greater New Orleans, Inc. (GNO, Inc.) found in January 2011 significant implications for shallow-water drilling as well.² U.S. Department of Interior Secretary Ken Salazar said, "...the administration will not have a moratorium on shallow-water operations," but promised "additional safety requirements and additional inspections." These additional regulations have resulted in a sharp decline in shallow-water permits, putting an economic strain on small businesses. Unlike deep-water wells, which are drilled over months due to their complexity, shallow-water wells are usually completed in three weeks. Due to the short timeframe of production activity, the shallow-water drilling industry relies on a constant flow of permits to keep companies in business.³

On October 12, 2010, the U.S. Department of Interior's Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE, the renamed Minerals Management Service) announced that the federal government would lift the drilling moratorium.⁴ In addition to its Economic Impact Study, released after the Deepwater Drilling Moratorium was lifted, GNO, Inc. continued to monitor and report on deep- and shallow-water permit issuance through the Gulf Permit Index (GPI). GNO, Inc. researchers aggregate public data from BOEMRE – now BOEM and BSEE – into graphs which are updated and distributed monthly, via websites and email distribution lists. The GPI documents that both deep-water and shallow-water permit issuance continue to lag the previous year's average. This research has been utilized by industry professionals, private firms, and elected officials.

¹ LED <http://www.louisianaeconomicdevelopment.com/opportunities/key-industries/energy.aspx>

² Source: Greater New Orleans, Inc. *An Economic Impact Study of the Deep-water Horizon Oil Spill. Part II: Moratoria* January 2010.

³ May 27, 2010. Alpert, Bruce and Rebecca Mowbray. "President Barack Obama suspends drilling at 33 wells in the Gulf of Mexico." *The Times-Picayune*, New Orleans.

⁴ BOMRE has since been divided into Bureau of Ocean Energy Management (BOEM) and BSEE (Bureau of Safety and Environmental Enforcement).

GPI+ as of January 3, 2012

Deep Water Permits

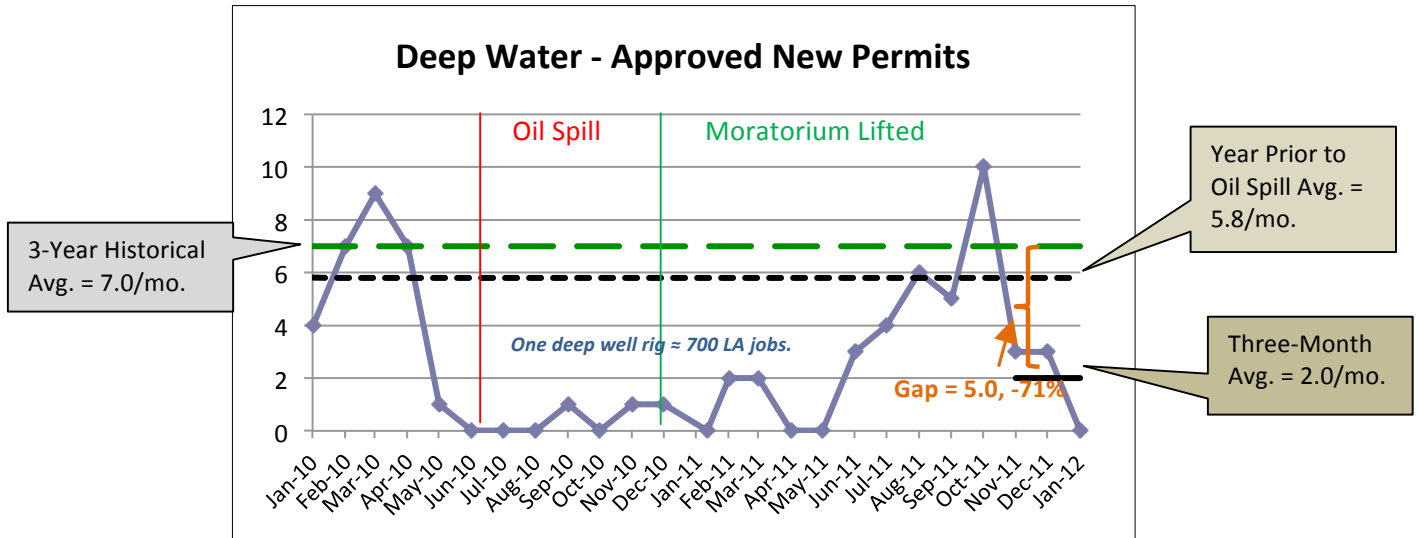


Figure 1. Over the past three months, an average of 2.0 deep water permits are being issued per month, representing a decrease of 66% from the monthly average observed in the year prior to the oil spill, and a decrease of 71% from the historical monthly average of 7.0 new deep water well permits.⁵

Shallow-Water Permits

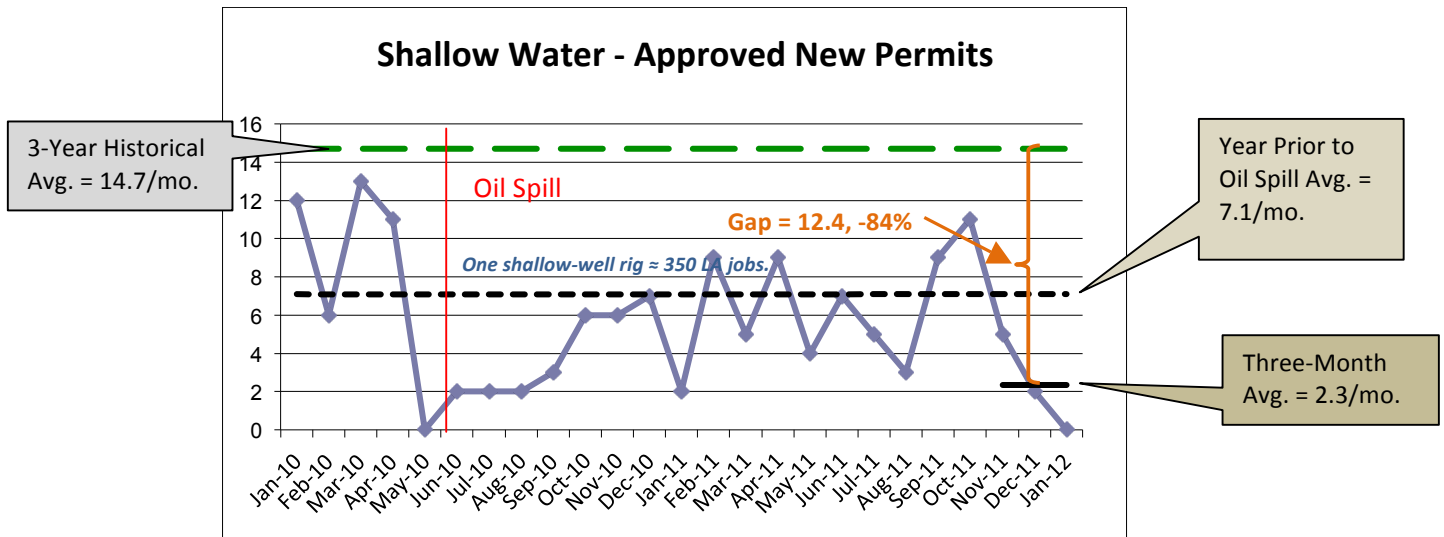


Figure 2. Over the past three months, an average of 2.3 shallow-water permits are being issued per month, representing a decrease of 68% from the monthly average observed in the year prior to the oil spill, and a decrease of 84% from the historical monthly average of 14.7 new shallow-water well permits.

⁵ Source: BSEE and BOEM data

GPI+ as of January 3, 2012

Plans

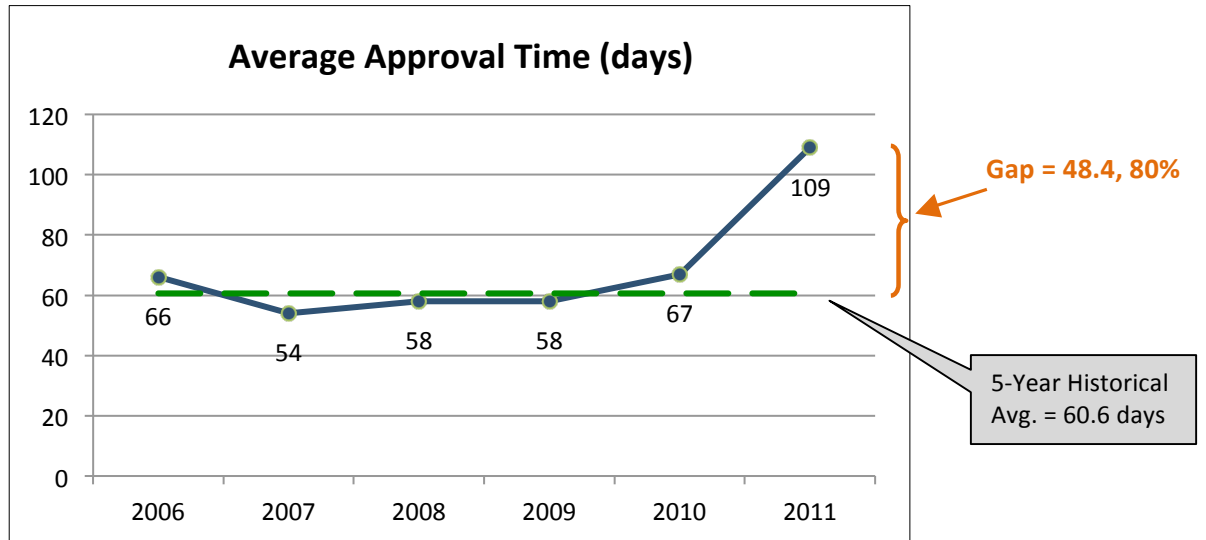


Figure 3. In 2011, the average approval time for a plan was 109 days, representing an increase of 80% from the historical average of 60.6 days. Since the oil spill, all deep-water plans that include any type of drilling activity must undergo an environmental assessment (EA) process; for deep-water plans requiring EAs in 2011, the average approval time was 213 days, significantly higher than the overall average approval time.

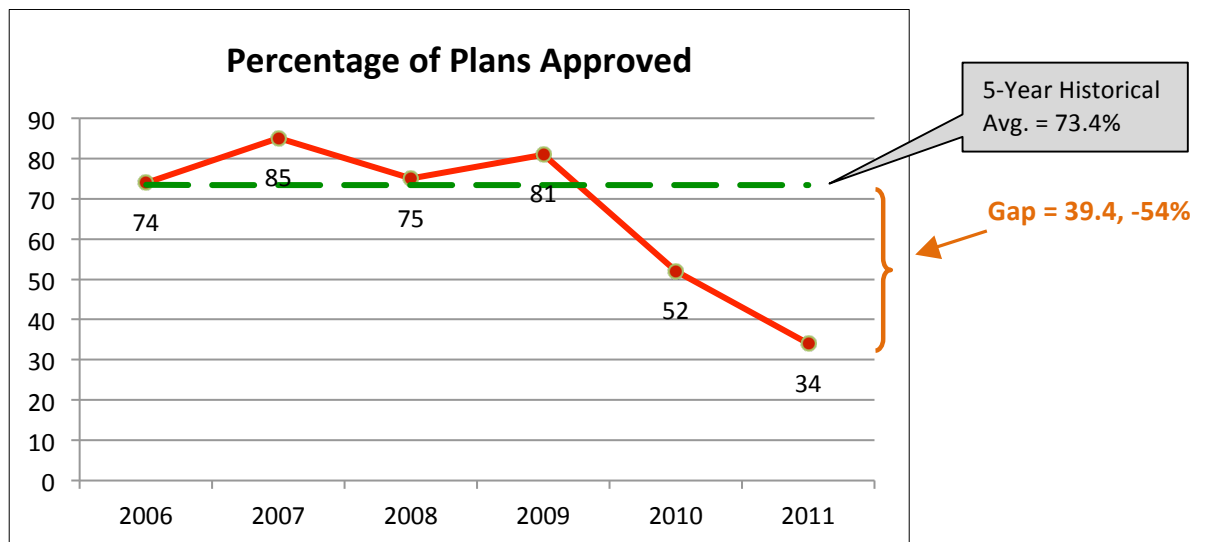


Figure 4. In 2011, 34% of plans submitted to BOEMRE were approved, representing a difference of 54% from the historical 73.4% approval rate. The low approval rate in 2010 is largely due to the moratorium which existed from May 31 to October 12, 2010.

Greater New Orleans, Inc. (GNO, Inc.) is the regional economic development agency serving the 10-parish region of Southeast Louisiana. GNO, Inc.'s mission is to create jobs and wealth in the Greater New Orleans region. To this end, GNO, Inc. pursues a two-pronged strategy: *business development* – attracting and growing businesses – and *product development* – creating better business conditions via policy, workforce and other initiatives. GNO, Inc.'s efforts focus on three foundational sectors: Advanced Manufacturing, Energy, and International Trade; and three diversifying sectors: Software and Digital, BioSciences, and Sustainable Industries. In 2011, GNO, Inc. was named one of the Top 20 economic development organizations in America by *Site Selection* magazine.

The economic impacts of this permit slow-down (in effect *de facto* moratorium) are diverse and far-reaching, affecting individuals and businesses in various industries across the Gulf Coast.⁶ While small businesses provide critical services and support within the oil and gas industry, they sometimes face the challenges of limited experience, insufficient capital, and location restraints.⁷ Large companies in the oil and gas industry may have access to greater capital, a specialized workforce, and geographic diversity.

This is a particular problem for Louisiana, because ours is an economy largely made up of small businesses. Many Louisiana businesses are family-owned and employ immediate and extended family members, thus, downturns in business activity negatively impact not only the businesses, but also entire families who sometimes have no other work experience or source of income.⁸ In Louisiana, 98% of businesses are small, according to SBA guidelines—employing fewer than 500 people, with 88% employing fewer than 20 workers.⁹ These businesses provide goods and services to larger businesses, to each other, and collaborate to accomplish larger projects.

In Louisiana, there are more than 1,777 small businesses in the Oil and Gas Extraction industry that represent over \$4.2B in annual revenue.¹⁰ Their operations also support over 9,700 employees, and aid in increasing our country's energy security.¹¹ Additionally, businesses in diverse industries such as manufacturing, transportation, and food service rely on income generated by contracts and business from companies and workers in the oil and gas industry. It is extremely challenging, and an imperfect science, to try to count all of the businesses that indirectly support the oil and gas industry—they represent nearly every industry sector. These businesses support potentially tens of thousands of workers.

⁶ For the sake of linguistic diversity, the lingering impacts of the Federal Deep-water Drilling Moratoria, the decrease in deep-water and shallow-water drilling permit approvals, and the increase in processing and approval times for plans and permits will be referred to in this document as both “the moratoria” and “the permit slow-down.”

⁷ Ames, Michael and Norval Wellsfry. *Small Business Management*. West Publishing Co.

⁸ Source: Greater New Orleans, Inc. *An Economic Impact Study of the Deep-water Horizon Oil Spill. Part II: Moratoria* January 2010.

⁹ Source: Info Group, Inc.

¹⁰ Oil and Gas Extraction includes: Crude Petroleum & Natural Gas; Natural Gas Liquids; Drilling Oil & Gas Wells; Oil & Gas Field Exploration Services; and Oil & Gas Field Services Nec.

¹¹ Source: Info Group, Inc.

According to Economic Modeling Specialists, Inc. each direct job in the oil and gas industry (NAICS 213111 and 213112) supports 1.64 indirect jobs. Therefore, the 9,724 employees in Louisiana's oil and gas extraction industry support an additional 15,947 jobs, totaling 25,671.

When the Federal Deep-water Drilling Moratorium was enacted, communities of Southeast Louisiana feared widespread lay-offs, as drilling in the Gulf of Mexico is a critical component of local economies, especially in the New Orleans and Houma regions. At first blush, the overall Louisiana Mining industry employment does not seem to be as impacted by the permit slow-down as expected. Yet, despite the relatively limited employment losses reflected in public employment data, this study provides evidence that businesses are indeed laying off workers, reducing hours and salaries, and limiting new hires as a result of the permit slow-down and insecurity about future markets in the Gulf of Mexico. Forty-nine (48% of all surveyed) companies reported laying off workers. Sixty-five (65.6%) companies surveyed reported no hiring or only replacement of lost employees. Of the companies that did hire, numbers were generally low with only one company reporting hiring over 50 workers in the last year. Some businesses have been cutting costs by reducing employees' hours and/or salaries. Thirty-eight companies reported reducing hours and salaries of employees, sometimes as much as 40% in order to avoid lay-offs.

Mining Employment (State)

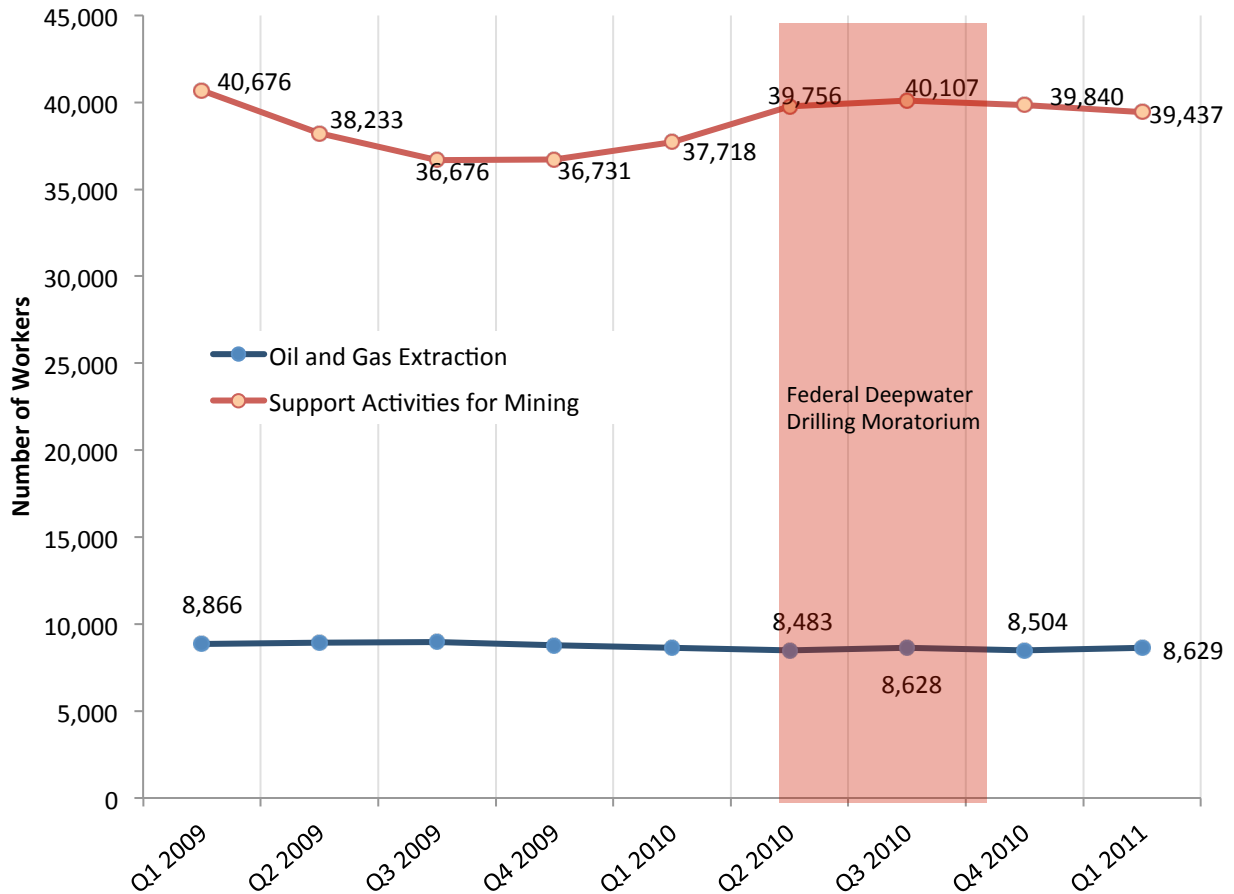


Figure 5. From May 2010 to March 2011 employment in Louisiana Oil and Gas Extraction industry has gained 174 jobs. The Support Activities for Mining has lost 55 jobs.¹²

The state of Louisiana has not seen significant job losses that can be directly attributed to the Federal Deepwater Drilling Moratorium and subsequent *de facto* moratorium. This is due to the dynamic nature of the oil and gas industry and perhaps the increased fracking activity in North Louisiana. According to an article published in *ProPublica*, much of the growth in the oil and gas industry since 2009 has come from drilling into shale formations.¹³ Several survey respondents mentioned hiring new workers for shale work, and the Haynesville Shale activity in North Louisiana may have mitigated some of the employment decreases resulting from decreased activity in the Gulf of Mexico. The New Orleans MSA (containing the following parishes: Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, and St. Tammany) and the Houma Region (containing the following parishes: Assumption, Lafourche, and Terrebonne) have experienced the greatest losses in mining industry employment.

¹² All public employment data was sourced from the Louisiana Workforce Commission's Employment and Wage Data.

¹³ Source: Kusnetz, Nicholas. September 2011. Who Are America's Top 10 Gas Drillers? *ProPublica*.

Mining Employment (New Orleans MSA)

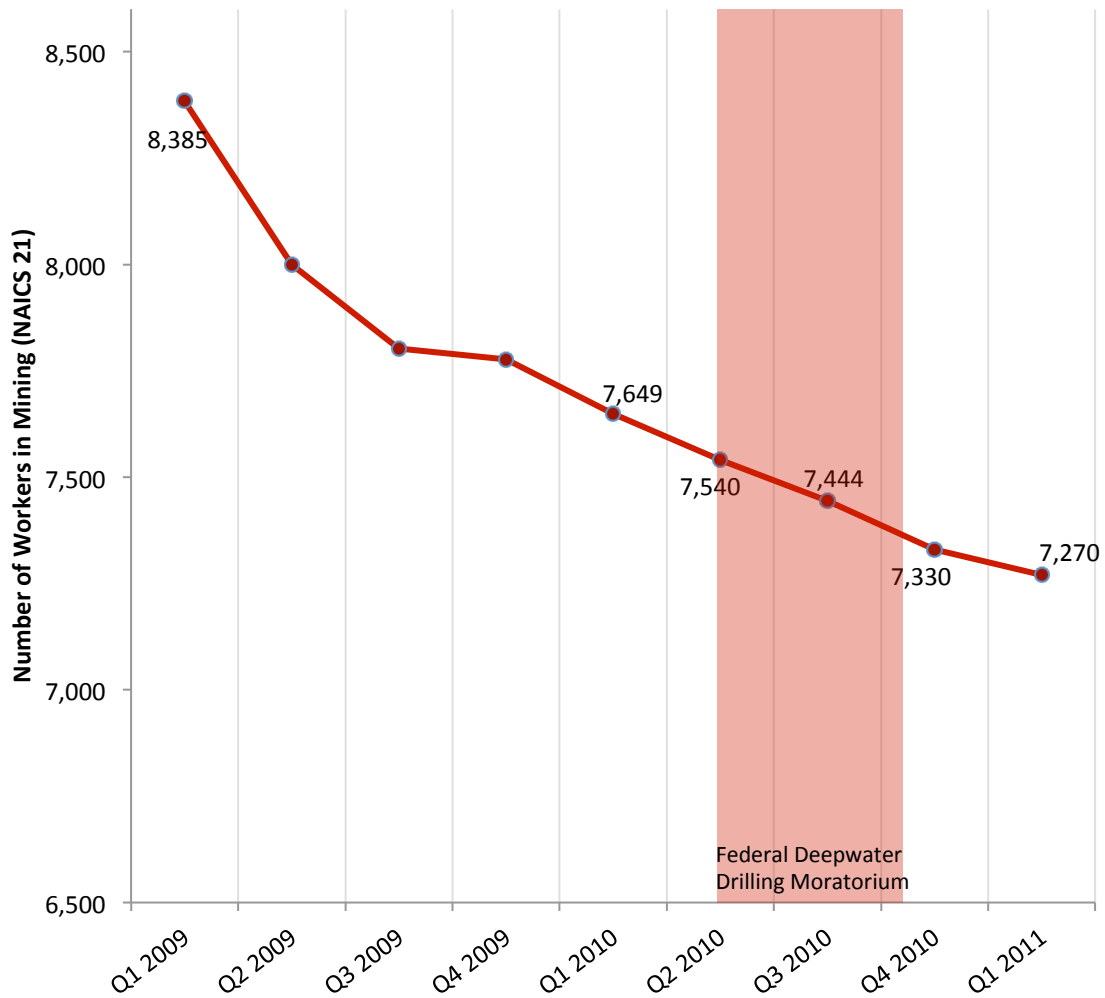


Figure 6. From May 2010 to March 2011 employment in the New Orleans MSA Mining industry has lost 225 jobs.

Mining Employment (Houma Region)

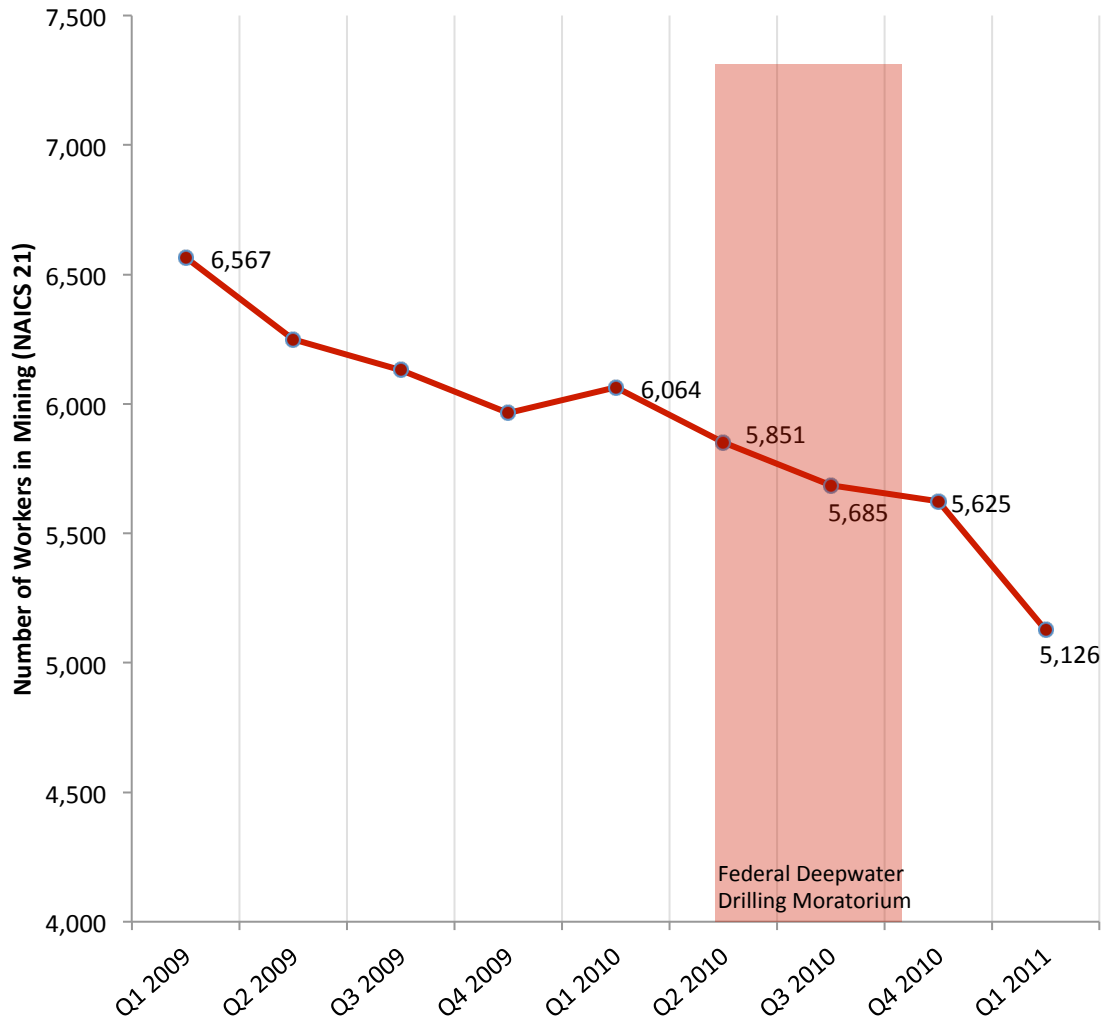


Figure 7. From May 2010 to March 2011 employment in the Houma Region Mining industry has lost 639 jobs.

Federal employment numbers suggest that employment in Mining sectors has not decreased significantly since the moratoria and more stringent regulations placed on deep and shallow-water drilling. Indeed, official data suggest that 174 jobs in Oil and Gas Extraction have been gained in Louisiana from May 2010 to March 2011. Support Activities for Mining in Louisiana has lost only 55 jobs since the onset of the moratoria. Federal statistics are not sufficiently precise to determine the impacts of the moratorium, when jobs may be lost in one industry in one part of the state (for example, oil extraction in Southeast Louisiana) while jobs are being gained in another similar but unrelated industry in another part of the state (shale plays in North Louisiana). Abundant anecdotal evidence abounds in Southeast Louisiana about the hardships faced by businesses and workers since the onset of the moratorium and more stringent regulations on oil extraction; GNO, Inc. set about to investigate these claims.

Methods

GNO, Inc. undertook a research initiative to determine the past effects of the Federal Deepwater Drilling Moratorium as well as the ongoing impacts of the decreased permit approval for deep- and shallow-water drilling permits on small businesses in Louisiana. An online survey, reviewed by business leaders and industry experts, was developed to gauge the impacts of the permit slowdown on businesses that work in Louisiana.¹⁴ Topics included: impact on revenues and cash reserves, lay-offs and hiring, changes in business plans or target markets, and impacts on the personal finances of business owners. Both multiple choice and short answer questions were included. We solicited the assistance of numerous trade organizations, local economic development organizations, and individuals to distribute this survey using the online platform SurveyMonkey.¹⁵ The survey was open from November 3, 2011 to January 3, 2012 and received responses from 102 individuals representing 99 companies.

The survey was distributed by multiple business associations including: South Louisiana Economic Council, South Central Industrial Association, Outer Continental Shelf BBS, Offshore Marine Services Association, and Plaquemines Association of Business and Industry.

Due to the multi-pronged distribution strategy, the total number of recipients is unknown and, thus, a response rate could not be calculated. Nonetheless, 100 survey participants represent a sizable sample if not a random sample. Still, it is important to note that as a convenience sample, it is likely that results are subject with non-response bias, with businesses that were negatively affected by the moratoria more likely to participate than those that experienced no effect or positive effects.

Participants had the opportunity to provide contact information following survey completion, which 53 respondents did, while 49 chose to remain anonymous. Quotes were chosen to represent the diverse impacts of the permit slowdown on a variety of businesses, and approval to publish was secured from identified companies.

¹⁴ See Appendix A for survey questions.

¹⁵ Produced by SurveyMonkey.com, LLC.

Profile of Survey Respondents

Survey respondents varied by industry, headquarter locations, and size; however, they all worked in Louisiana and identified unique impacts resulting from the Federal Deepwater Drilling Moratorium and the ongoing permit slowdown. Forty-seven (47.5%) surveys were completed by business owners—the rest were answered by employees of the companies at various levels, often executive.

The most common industries were: Marine Services, Ship Owners and Operators, Other, Oil and Gas Production, and Deep Sea Transportation. Respondents had the option to choose more than one industry. The 102 respondents selected 228 industries—an average of slightly more than two industries per company. This indicates a relatively high level of specialization within the participating companies.

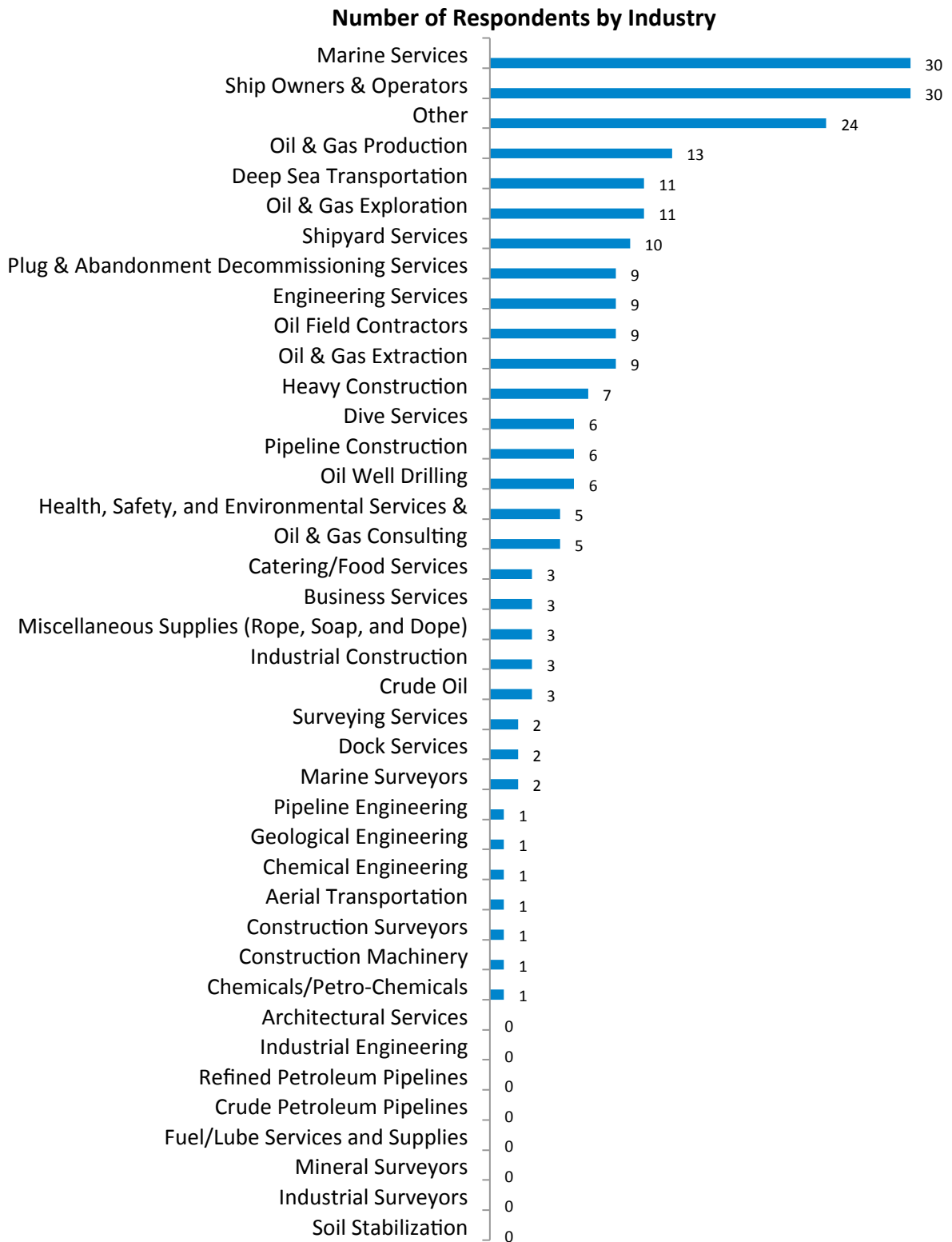


Figure 8. Number of survey respondents by industry. Other includes: Furnishing Heavy Construction Materials (Supplier); Industrial Real Estate; Design & Drafting Services; Software; Training; Industry

Support; Well Intervention (Wireline, Hydraulic Workover, Coiled Tubing, Rentals, etc.); Major Machinery Distributor; Mooring and Rigging; Fleet Management; Legal consultants/attorneys; Tug Boat Services; Marine Equipment Manufacturer; Marine Transportation; Engine Distribution; Propulsion Machinery Manufacturer; Marine Educational Services; and Legal.

The majority of respondents to this study are headquartered in Louisiana, with other locations in the Gulf Coast representing 32 percent of respondents. Seventeen businesses were headquartered in Texas. To be eligible to respond to the survey, the business had to have operations in Louisiana.



Figure 9. Location of respondents' corporate headquarters. Number of respondents for each location is listed.

Our sample set was composed mostly of companies that rely heavily on the resources of the Gulf of Mexico, with over 65% of companies spending 80-100% of their time and effort in this area.

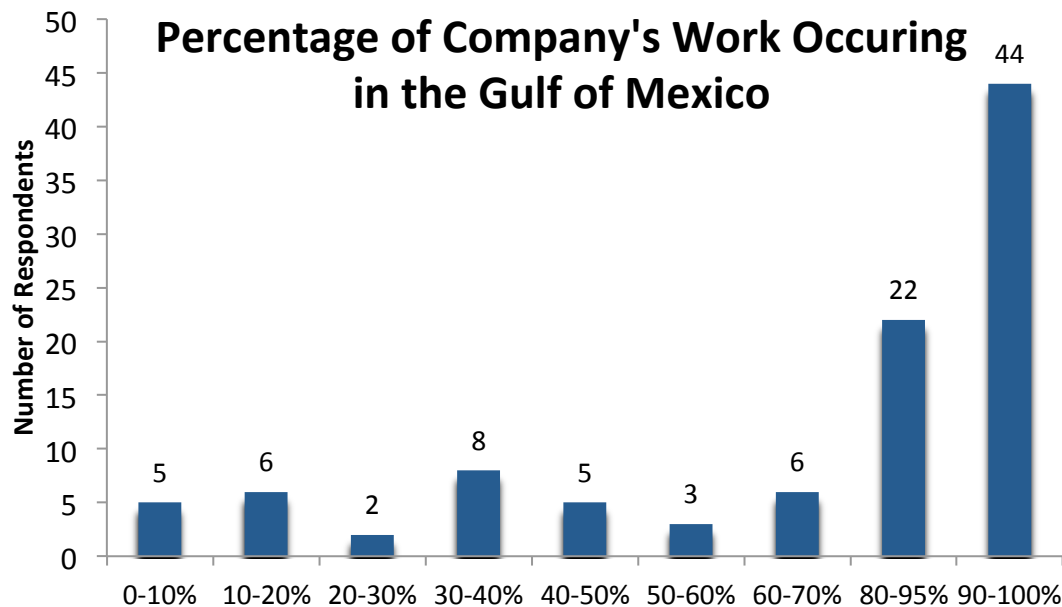


Figure 10. Number of respondents based on percentage of work occurring in or on the coast of the Gulf of Mexico. Based on the multiple choice question: "What percentage of your company's work occurs in the Gulf of Mexico or along its coast?"

In order to better understand the impact of delays in deep-water and shallow-water permitting, we requested that businesses identify at which depths they worked most of the time. Over half of respondents said they worked in both deep- and shallow-water. Businesses that chose “Neither” provide support services for a variety of companies, work exclusively on land manufacturing equipment, provide industry training, and/or service offshore vessels. Respondents that work exclusively in deep-water are in the Oil and Gas Extraction and Oil and Gas Exploration industries. These six companies range in size from small to large. Respondents that work exclusively in shallow-water identified operations in a variety of industries and tend to be smaller with a maximum annual revenue of \$250M.

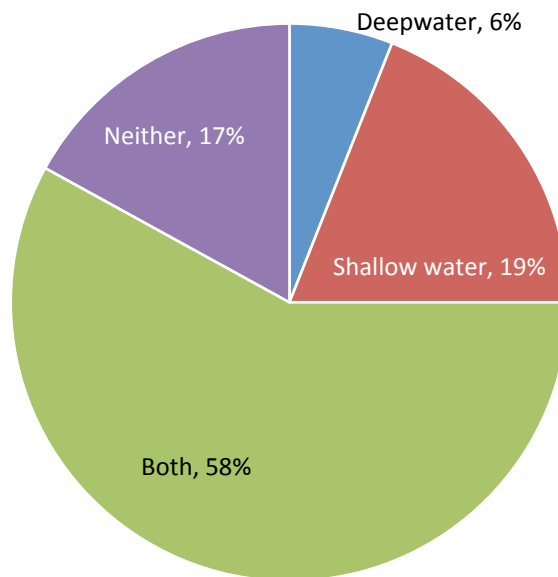


Figure 11. Percent of businesses that spent the majority of their time and effort in deep or shallow-water.

We also requested annual revenue information of participants. The given range was from \$100,000 to over \$1B annually and our sample includes companies at both ends of this range.

<u>Annual Revenue of Participating Companies</u>			
	Mean	Median	Mode
Pre-Oil Spill.....	\$136.5M	\$15M-\$25M	\$5M-\$15M
Currently.....	\$104.5M	\$5M-\$15M	\$5M-\$15M
Change.....	-\$32M	~\$10M	

Chart 1. Mean calculation was made using the mid-point value of each range identified and the one value identified for each end point. For example, calculations including the range \$15M-\$25M were conducted using \$20M.

Impacts on Revenues and Cash Reserves

Anecdotal evidence suggested that changes to companies' annual revenues and cash reserves would be one of the impacts of the moratoria and permit slowdown. Our survey revealed that the annual revenues of nearly all businesses surveyed decreased or remained constant since the Deepwater Horizon Oil Spill and the Federal Deepwater Drilling Moratorium. The results also indicate an increase in the number of businesses with low and medium revenues (under \$100,000 to \$5M) and a decrease in the number of businesses with large revenues (\$50M to over \$1B).

While we did not see evidence of a formerly large revenue company decreasing revenues to the extent they would be included in the low to medium revenue range, one company reported an annual revenue range of \$750M-\$1B before the moratoria decreasing to \$50M-\$250M after the moratoria—representing a decline of at least \$500M. Additionally, two companies transitioned from the \$250M-\$500M range to the \$15M-\$25M range. The losses of these three companies alone (total of at least \$950M annually) represent a tangible economic loss to communities in Southeast Louisiana that rely on larger companies for subcontracts and constant demand for services.

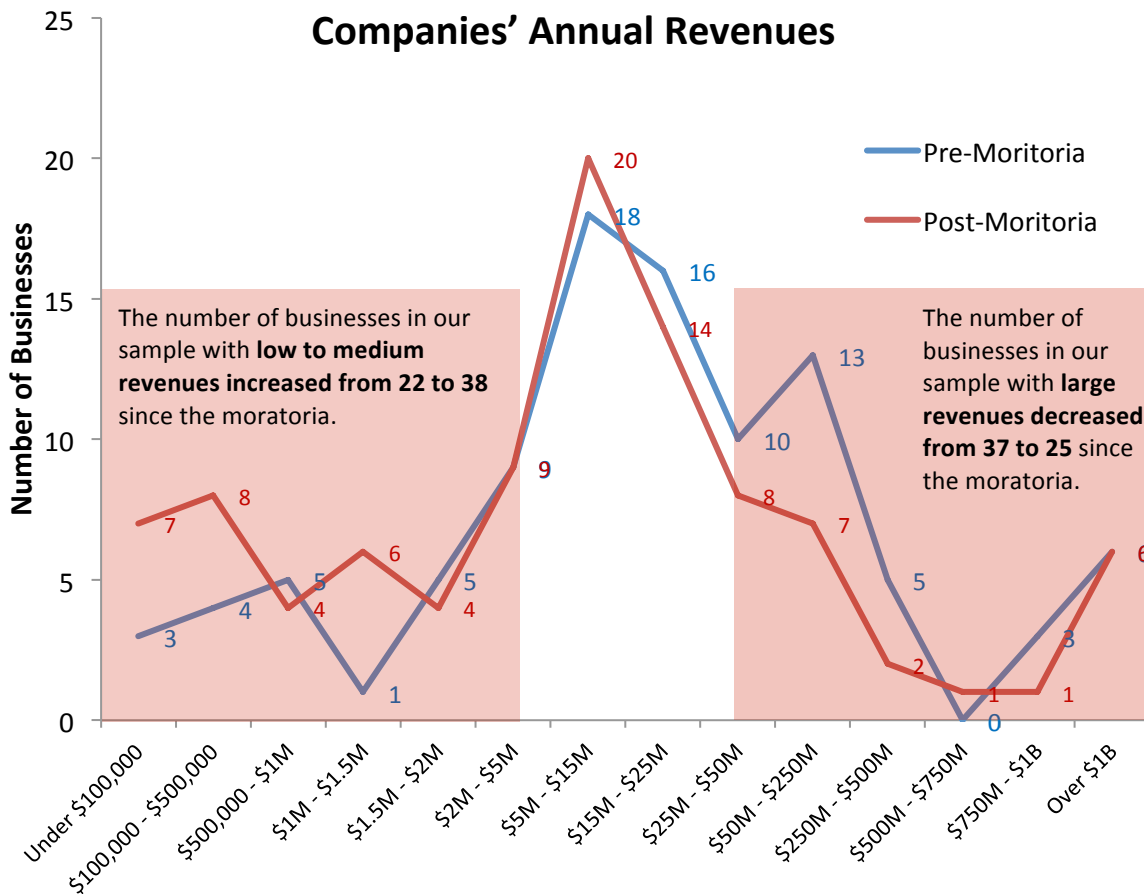


Figure 12. Annual revenues of participating businesses before and after May 30, 2010.

In addition to annual revenues, the level of cash reserves of companies can indicate their general economic health and impact of the moratoria. Over seventy businesses (69%) reported decreased cash reserves with forty-four having lost more than half.

Number of Respondents Reporting the Following Effects of the Drilling Moratoria and Permit Slowdown on their Companies' Cash Reserves

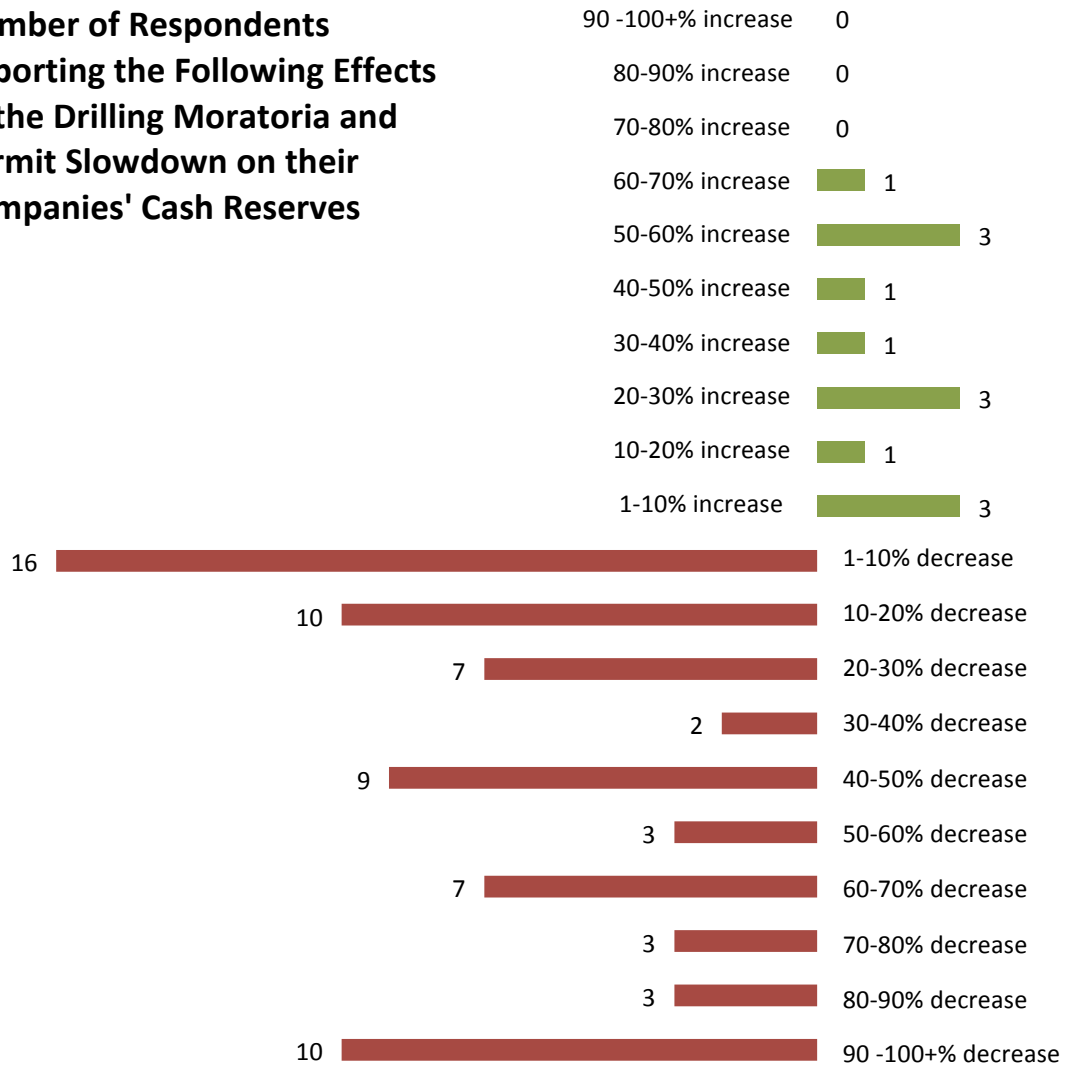


Figure 13. The majority of businesses have lost some cash reserves— 44 businesses (43%) have lost more than half of their cash reserves as a result of the permit slow-down.

Forty businesses (40.8%) are currently not making a profit—a situation that is not sustainable for any business and significantly increases the probability of small businesses closing. Indeed, of these forty, four companies reported selling all their assets and/or going out of business as a result of the moratoria. A transportation company in Iberia Parish described it this way: “Many of the companies we work for have scaled back their drilling operations making work scarce at best. Costs of training associated with safety have increased 75%, meanwhile the competitive

nature of the lack of work has driven daily vessel rates down. Because there is no stability in the work available we cannot offer any of our employees stability in their job regardless of their performance or service.” Another company reported being forced to use \$1.2M of their cash reserves to keep operations running due to lack of work.

While large companies may represent the most significant economic impact, the decrease in revenues of small businesses has the potential to be devastating to individual families and communities. Additionally, small businesses in the oil and gas industry face challenges, such as limited resources, lack of skilled people in specialized fields, and restricted schedules and mobility.¹⁶ The small business networks that support oil and gas extraction and production are critical to the Gulf Coast industry’s infrastructure, providing specialized services and employment for thousands. The dramatic decrease in many companies’ cash reserves indicate an ongoing struggle to stay in business.

¹⁶ Source: Arku, Frank S. and Cynthia Arku. September 21, 2010. The up and down sides of oil and gas development in the Wood Buffalo Region of Alberta, Canada: Positioning Ghana for progressive gains. *International NGO Journal*. Vol. 6(1), pp. 005.

Employment

Despite the relatively limited employment losses reflected in public employment data, this study provides evidence that businesses are laying off workers, reducing hours and salaries, and limiting new hires as a result of the permit slowdown and insecurity about future markets in the Gulf of Mexico. Forty-nine (48% of all surveyed) companies reported laying workers off. Sixty-five (65.6%) companies surveyed reported no hiring or only replacement of lost employees. Of the companies that did hire, numbers were generally low with only one company reporting hiring over 50 workers in the last year. Some businesses have been cutting costs by reducing employees' hours and/or salaries. Thirty-eight companies reported reducing hours and salaries of employees, sometimes as much as 40% in order to avoid lay-offs. These reductions in hours are not reflected in state employment numbers as discussed in the "Background" section.

Public data combined with evidence of lay-offs from our survey indicate that the moratorium and permit slowdown contributed to the decline in mining employment in the New Orleans MSA and Houma Region. Unfortunately, public data does not allow for tracking of commuter patterns or relocation of workers by industry—it is possible that some workers who lost jobs in Southeast Louisiana have been successful in finding employment in North Louisiana where the number of jobs in the mining industry has increased.

Forty-nine companies in our survey have laid off employees as a result of the moratoria. Of this group, many are doing so in small increments and trying to retain employees as long as possible.

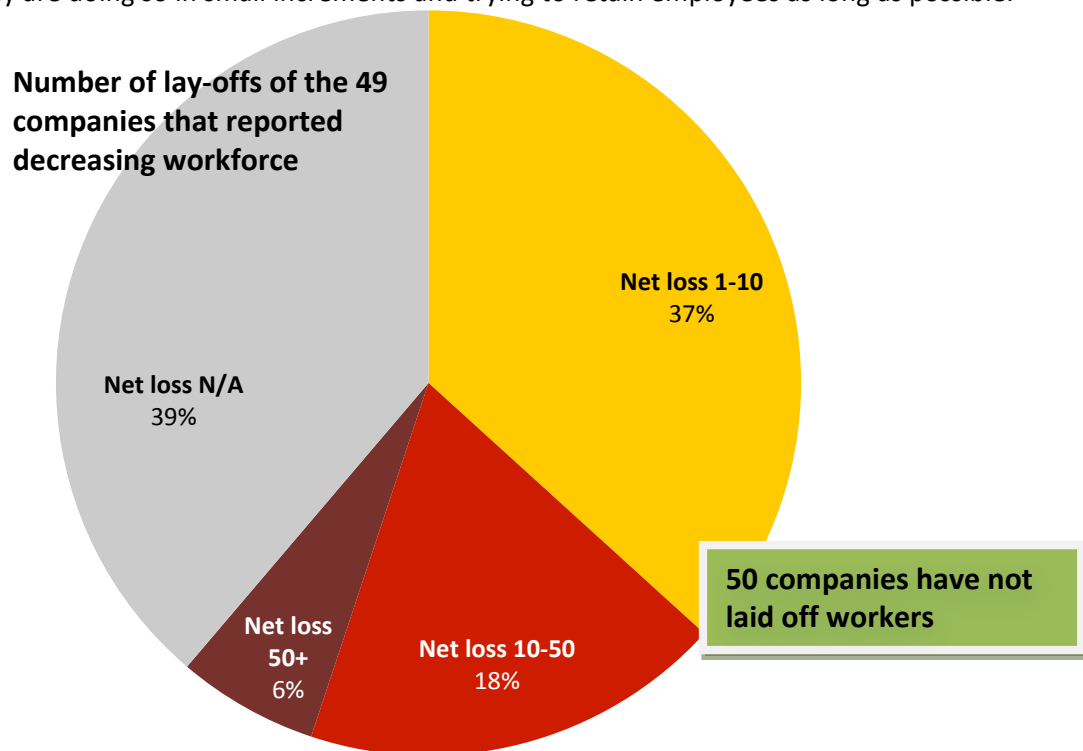


Figure 14. Of the companies that reported layoffs, 18 reported letting one to ten employees go, nine companies laid off between ten and fifty workers, and three companies laid off more than fifty. Three companies that did not provide an exact number and that they released their entire staff.

Companies reported releasing workers in the following positions (in approximate decreasing order of number of positions lost):

- Office Staff
- Vessel crews
- Fleet/Vessel/Barge/Boat crews
- Deckhands
- Management personnel/Supervisors
- Sales clerks/Salesmen
- Logistical personnel
- Field personnel
- Crew members
- Captains
- Welder
- Engineers
- Able Bodied Seamen
- Geoscientists/ Geologists/Geophysicists
- Riggers
- Mate
- Fitters
- Technicians
- Assemblers
- Janitor
- Driver
- Mates
- Executives
- Warehouse personnel
- Marketing manager
- Programmers
- Marine personnel
- Shipyard personnel
- Field labor
- Ordinary seamen
- Grinders
- Mechanics
- Port captain
- Maintenance personnel

Fifty-two businesses (52.5%) surveyed have not hired new employees since the moratoria. Of the 47 companies that have hired, the majority have done so in small numbers and often to replace departing staff.

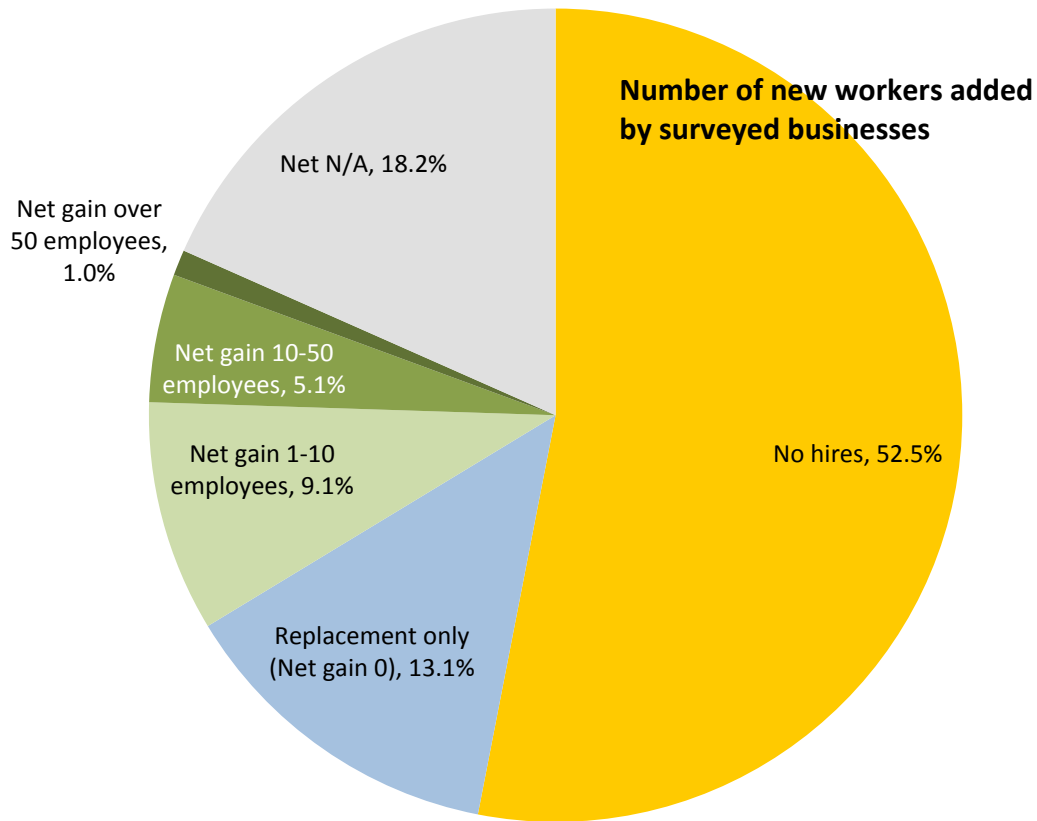


Figure 15. Of the companies that reported hiring, 13 reported replacement only (with a net gain of 0 jobs), 9 companies reported a net gain of 1-10 workers, 5 companies created between 10 and 50 new positions, and one company added over 50 new workers.

Of the companies that reported a net gain of workers, they reported hiring the following positions (in approximate decreasing order of number of positions gained):

- Engineers
- Draftsmen
- Clerical
- Accounting
- Drilling engineers
- Drill site managers
- Deckhands
- Supervisors
- Sales clerks
- Human Resources
- Technicians
- Accountants
- Tool operators
- Mates

- Programmers
- Production workers
- Crewboat captains
- Welders
- Pipefitters
- Associates
- Mechanics
- Office Staff
- Captains
- Welders
- Fitters
- Grinders
- Vessel crews
- Safety personnel
- Service engineers
- Senior Vice President
- Warehouse worker

Two companies reported hiring for shale work (a Louisiana engineering company for the land Eagle Ford Shale and BESCO Tubular for Marcellus Shale plays), and two reported hiring for operations outside of Louisiana.

One tactic that businesses have used to reduce costs but retain workers is to cut hours and/or salaries. Thirty-eight participants (38.8%) have retained workers but reduced staffing costs. Some companies have targeted certain positions while others have distributed the losses among staff members. One marine company headquartered in Texas reported “All vessel personnel have taken pay reductions, some executive level employees have given up salary and bonus packages and other employees have given up bonus and commission revenues.” One Louisiana company that provides a variety of services to the oil and gas industry chose to cut all salaries by 30% to avoid lay-offs. Past experience has taught companies to resist lay-offs as long as possible as the quality of their workforce is critical to future success. A Louisiana ship owner explains: “Regardless of adjustments in population and wages, we continue to use capital to subsidize... Our trained and loyal workforce is too valuable to let go. This [was] supposed to be a ‘pause,’ not a shut down.” A Louisiana transportation company reported the challenges of operating following lay-offs: “We have been forced to incur layoffs, at times, up to 50% of our work force. As such, even for small contracts we have to hire people back temporarily. Because we cannot offer job security many of our more talented workers are forced to look for work elsewhere. This forces us to compromise on some of the quality of our workforce which in turn drives of intangible cost of operation up [sic].” Underemployment is not reflected in unemployment numbers, yet can have significant impacts on individuals and families.

Changes in Business Plans

Surveyed companies reported changing their business plans, sometimes dramatically, in account of the moratoria. Strategies include: reallocation of resources, lay-offs, reducing hours, selling equipment, relocation, and diversification. As a result of the moratoria, 46.4% of businesses have moved all or part of their operations away from the Gulf of Mexico.

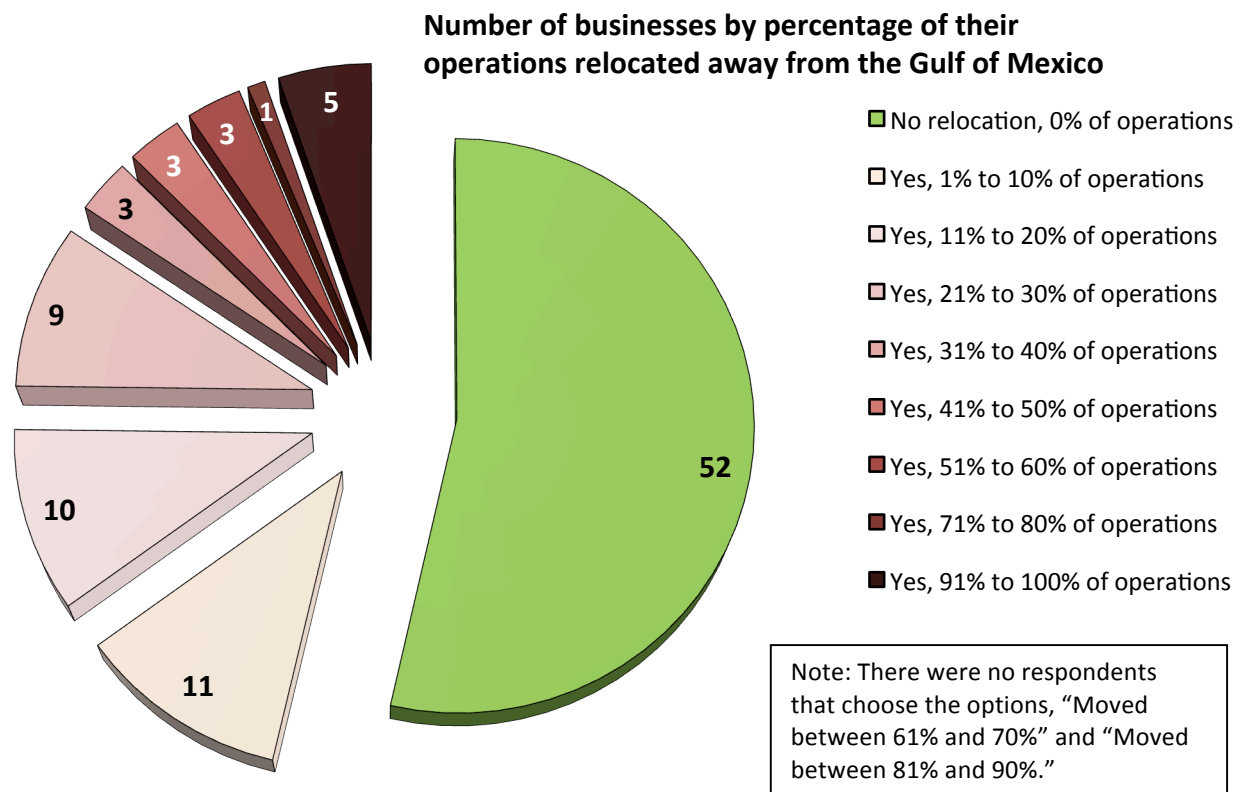


Figure 16. Forty-five businesses surveyed reported moving all or some of their operations away from the Gulf of Mexico, nine of which have moved more than 50% of the 5 businesses that have completely disinvested in the region, three are headquartered in Louisiana, and all were conducting at least 60% of their business in the Gulf—with three reporting 100% of their work happening in the Gulf. Before the Federal Deepwater Drilling Moratorium, these five businesses represented a collective annual revenue range of \$28.6M to \$57.6M.

The following testimonials from respondents provide a picture of changes companies are making to their business plans as a result of the moratoria:

“We have had to **reduce employee benefits** in order to maintain salaries intact. We have also **sought contracts with other countries** and are attempting to expand the geographic span of our business to include **more international work.**” —*Rig-Chem, Inc.* Houma, LA

“Fewer wells drilled per year (about 3-4 wells). Longer time required to permit and plan wells; **increased well costs and operating costs in general ~15% increase.**” –Anonymous. Houston, TX

“**Delayed investing in new service equipment and testing facilities.** Delayed expanding services due to lack of development in Gulf. Exploring other options and **services areas outside the Gulf of Mexico.**” –Anonymous. LA

“We are going after other sales outside of this area and **looking to relocate.**” – Anonymous. Belle Chasse, LA

“We are still waiting to see if the GOM activity returns to improved levels before radically deciding to change our business plan. **November 2012 will be our decision date...**” -- Anonymous. LA

“Many of our customers have moved significant parts of their operations to Africa or Brazil. We have been shipping more products to those areas and are looking to expand operations in those areas. **We have cut a lot of expenses, including personnel from our Louisiana operations.**” – *DCL Mooring and Rigging* New Orleans, LA

“The moratoria has [sic] forced our company to focus more on land based operations and other business directions due to **a large customer base relocating a large amount of their business ventures elsewhere in the world**, ex. Brazil, W. Africa and Middle East.” -- Anonymous. Lafayette, LA

“**This is the worst year we have had in our US oilfield barge rental and transportation business in more than a decade.** The moratorium has been the primary cause of this impact.” – *Canal Barge Company* New Orleans, LA

“The cancelation/postponement of the offshore lease sales has severely impacted our future opportunities for our primary geophysical services. In conjunction with this exponential drop in demand for our services, there were very few projects to be had, market pricing for what was available was impacted by "ridiculous" pricing competition. **Our current business plan has us looking at sending our resources to international areas...**” – *Green Marine, LLC* Prairieville, LA

The consistent theme of companies considering a move overseas and postponing local expansion puts the regional economy of Southeast Louisiana on insecure ground. Additionally, the loss of businesses in the oil and gas industry to international markets has potential negative effects on the national economy.

Personal Impacts

While this survey focused primarily on the economic changes and business decisions the slowdown in permit approvals and the *de facto* moratorium have caused, we were concerned about the impact on small business owners. Of the 102 respondents, 47 were the owners of the companies. The majority of these business owners experienced personal financial losses as a result of these policies, with six individuals losing all their personal savings.

The Impact of the Moratorium and Permit Approval Slowdown on Business Owners' Personal Savings

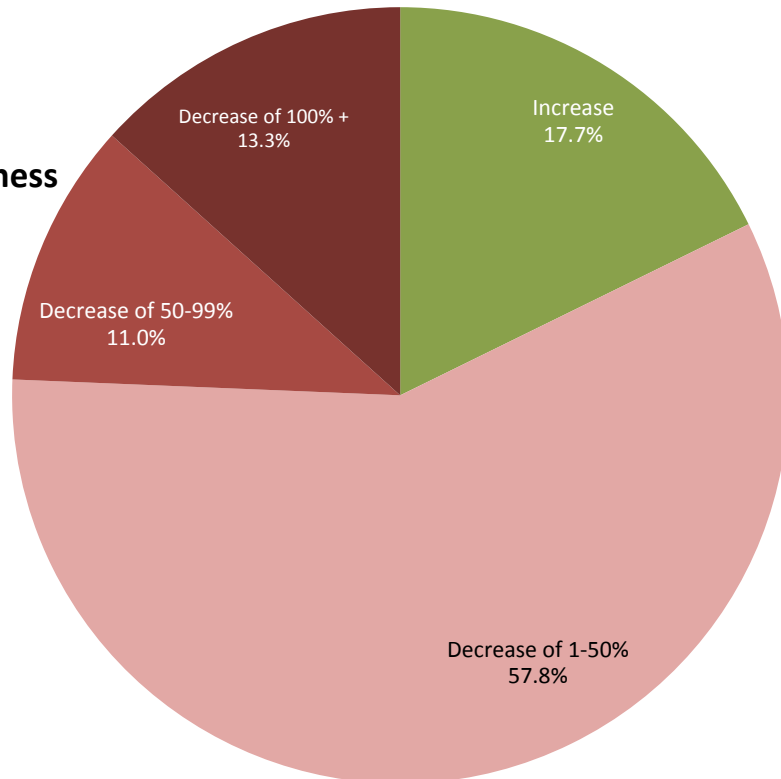


Figure 17. Eight business owners experienced an increase in their personal savings following the Federal Deepwater Drilling Moratorium ranging from 1% to 60% increases. Thirty-seven business owners lost personal savings as a result of the ongoing moratorium.

Conclusions

While there is still further research to be done, these data indicate dramatic economic and community impacts of the permit slowdown that have not been adequately represented in public data sets such as unemployment.

1. Small, medium, and large businesses are all being impacted by the *de facto* moratorium. Large businesses generally have greater capacity to retain workers, expand to other markets, and protect infrastructure investments. Small- and medium-sized businesses that are specialized and immobile are in great danger of going out of business.
2. The moratoria have decreased companies' annual revenues by an average of \$32M.
3. A significant majority of businesses surveyed reported decreased cash reserves, with 43% having lost more than half.
4. Public workforce data does not adequately represent the impact that the permit approval slowdown is having on Louisiana businesses. Businesses in the oil and gas industry have been resisting lay-offs, even doing so at a cost, to retain a talented and trained workforce in hopes that permit approval time will decrease. Even so, approximately half of the businesses surveyed reported some lay-offs.
5. Businesses have changed their business plans, often dramatically, in hopes of maintaining profitability despite the permit slowdown. Forty-five companies surveyed have relocated all or some of their business away from the Gulf of Mexico, and many are expanding to international markets, especially Africa and South America.

Appendix A

Greater New Orleans, Inc. (GNO, Inc.), the economic development agency for Southeast Louisiana, is distributing this brief survey to businesses that work in or with the oil and gas industry in Louisiana and across the Gulf Coast. The purpose of this research is to better understand the impact of the Federal Deepwater Drilling Moratorium (as well as the ongoing de facto drilling moratoria) on oil and gas related businesses. Your completion of this survey will provide important insight that will assist GNO, inc. as we develop policy strategies and plans to support Gulf Coast businesses. GNO, Inc. will publish a report on the survey's findings, which will be available for download at www.gnoinc.org. All participants have the option to remain anonymous or to provide contact information to participate in ongoing efforts.

1. What industry category does your company fall into? Please limit to 5 answers.

Oil & Gas Extraction
Oil & Gas Production
Crude Oil
Oil Well Drilling
Oil Field Contractors
Oil & Gas Consulting
Oil & Gas Exploration
Chemicals/Petro-Chemicals
Heavy Construction
Pipeline Construction
Industrial Construction
Construction Machinery
Soil Stabilization
Marine Surveyors
Construction Surveyors
Industrial Surveyors
Mineral Surveyors
Aerial Transportation
Deep Sea Transportation
Ship Owners & Operators
Shipyard Services
Dock Services
Marine Services
Fuel/Lube Services and Supplies
Crude Petroleum Pipelines
Refined Petroleum Pipelines
Miscellaneous Supplies (Rope, Soap, and Dope)
Business Services
Engineering Services
Chemical Engineering
Industrial Engineering
Geological Engineering
Architectural Services

Pipeline Engineering
Surveying Services
Catering/Food Services
Plug & Abandonment Decommissioning Services
Dive Services
Health, Safety, and Environmental Services & Consulting
Other (please specify)

2. Where is your corporate headquarters?

Louisiana
International
In the U.S. (please specify state)

3. What percentage of your company's work occurs in the Gulf of Mexico or along it's coast?

0-10%
10-20%
20-30%
30-40%
40-50%
50-60%
60-70%
80-95%
90-100%

4. Does your company primarily work in deepwater, shallow water, or both?

Deepwater
Shallow water
Both
Neither (please explain)

5. What was your company's annual revenue before the Federal Deepwater Drilling Moratorium (enacted May 30, 2010)?

Under \$100,000
\$100,000 - \$ 500,000
\$500,000 - \$1M
\$1M - \$1.5M
\$1.5M - \$2M
\$2M - \$5M
\$5M - \$15M
\$15M - \$25M
\$25M - \$50M
\$50M - \$250M

\$250M - \$500M
\$500M - \$750M
\$750 - \$1B
Over \$1B

6. What is your company's current annual revenue?

Under \$100,000
\$100,000 - \$ 500,000
\$500,000 - \$1M
\$1M - \$1.5M
\$1.5M - \$2M
\$2M - \$5M
\$5M - \$15M
\$15M - \$25M
\$25M - \$50M
\$50M - \$250M
\$250M - \$500M
\$500M - \$750M
\$750 - \$1B
Over \$1B

7. Is your business currently making a profit?

Yes
No (please explain why)

8. How have the drilling moratoria affected your company's cash reserves?

1-10% increase
10-20% increase
20-30% increase
30-40% increase
40-50% increase
50-60% increase
60-70% increase
70-80% increase
80-90% increase
+100% increase
1-10% decrease
10-20% decrease
20-30% decrease
30-40% decrease
40-50% decrease
50-60% decrease
60-70% decrease
70-80% decrease

80-90% decrease
+100% decrease
Other (please specify)

9. Has your company hired any employees since May 2010?

No
Yes (please identify positions and quantity)

10. Has your company laid off any employees since May 2010?

No
Yes (please identify positions and quantity)

11. Since May 2010, have workers been retained but hours or salaries cut?

No
Yes (please identify positions and quantity)

12. As a result of the moratoria has your company shifted operations out of, or away from, the Gulf of Mexico?

No
Yes, between 1% and 10% of our operations
Yes, between 11% and 20% of our operations
Yes, between 21% and 30% of our operations
Yes, between 31% and 40% of our operations
Yes, between 41% and 50% of our operations
Yes, between 51% and 60% of our operations
Yes, between 61% and 70% of our operations
Yes, between 71% and 80% of our operations
Yes, between 81% and 90% of our operations
Yes, between 91% and 100% of our operations

13. Please explain how the oil spill and the drilling moratoria have changed your company's business plan.

14. Are you the owner of the company?

Yes
No

15. How have the drilling moratoria affected your personal income?

1-10% increase

10-20% increase
20-30% increase
30-40% increase
40-50% increase
50-60% increase
60-70% increase
70-80% increase
80-90% increase
+100% increase
1-10% decrease
10-20% decrease
20-30% decrease
30-40% decrease
40-50% decrease
50-60% decrease
60-70% decrease
70-80% decrease
80-90% decrease
+100% decrease

16. How have the drilling moratoria affected your personal savings?

1-10% increase
10-20% increase
20-30% increase
30-40% increase
40-50% increase
50-60% increase
60-70% increase
70-80% increase
80-90% increase
+100% increase
1-10% decrease
10-20% decrease
20-30% decrease
30-40% decrease
40-50% decrease
50-60% decrease
60-70% decrease
70-80% decrease
80-90% decrease
+100% decrease

17. OPTIONAL Please provide contact information if GNO, Inc. staff may follow up with you for clarification or further questions.

Name:

Company:

Address:
Address 2:
City/Town:

-- select state --AL AlabamaAK AlaskaAS
American SamoaAZ ArizonaAR ArkansasCA
CaliforniaCO ColoradoCT ConnecticutDE
DelawareDC District of ColumbiaFM Federated
States of MicronesiaFL FloridaGA GeorgiaGU
GuamHI HawaiiID IdahoIL IllinoisIN IndianaIA
IowaKS KansasKY KentuckyLA LouisianaME
MaineMH Marshall IslandsMD MarylandMA
MassachusettsMI MichiganMN MinnesotaMS
MississippiMO MissouriMT MontanaNE
NebraskaNV NevadaNH New HampshireNJ New
JerseyNM New MexicoNY New YorkNC North
CarolinaND North DakotaMP Northern Mariana
IslandsOH OhioOK OklahomaOR OregonPW
PalauPA PennsylvaniaPR Puerto RicoRI Rhode
IslandSC South CarolinaSD South DakotaTN
TennesseeTX TexasUT UtahVT VermontVI Virgin
IslandsVA VirginiaWA WashingtonWV West
VirginiaWI WisconsinWY Wyoming

State:

ZIP:
Country:
Email Address:
Phone Number: