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

Summary

Purpose: Research and document the "hidden victims" of the oil & gas drilling permit moratorium and slowdown in the Gulf of Mexico - the off-shore supply and service companies dependent upon the Gulf of Mexico for business.

Methodology: Online survey completed by Louisiana off-shore supply and service companies. N = 102.

Respondents: Industry 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 (58%) of respondents’ corporate headquarters are located in Louisiana, with 35% outside Louisiana and 6% international.

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.

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

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

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

Impact of the Moratoria on Business Owners’ Personal Savings

- Increase: 13.3%
- Decrease of 1-50%: 57.8%
- Decrease of 50-99%: 11.0%
- Decrease of 100%+: 17.7%
Testimonials from respondents:

“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 LA

“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 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 Metairie, 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 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...” --Anonymous Prairieville, LA

“[The moratoria have changed our business plan] from planned long range growth to day by day survival mode.” --Green Marine, LLC Berwick, LA

<table>
<thead>
<tr>
<th>Annual Revenue of Participating Companies</th>
<th>Mean</th>
<th>Median</th>
<th>Mode</th>
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<tbody>
<tr>
<td>Pre-Oil Spill</td>
<td>$136.5M</td>
<td>$15M-$25M</td>
<td>$5M-$15M</td>
</tr>
<tr>
<td>Currently</td>
<td>$104.5M</td>
<td>$5M-$15M</td>
<td>$5M-$15M</td>
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<tr>
<td>Change</td>
<td>-$32M</td>
<td>-~$10M</td>
<td>-</td>
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Range: less than $100,000 to over $1B