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**Testimony on “Gulf of Mexico: A Focus on Community Recovery and
New Response Technology”
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Good morning Chairman Hastings, Ranking Member Markey and all the distinguished members of the House Natural Resources Committee. I greatly appreciate the opportunity to testify at this hearing today to provide you with the realities of what a moratorium, de facto moratorium, and permitorium can do to the coastal communities who are dedicated to producing American Energy to Fuel this great country. We welcome you today to Houma, Louisiana; a unique slice of America where the mighty Mississippi built the land upon which we live and where our people are proud to build the ships, to harvest the seafood, and to produce the energy so that the rest of the country can prosper from Louisiana’s bountiful natural resources.

This week marks the one year anniversary of the Deepwater Horizon tragedy. First & foremost, it is important that we never forget the 11 great Americans who lost their lives in the Deepwater Horizon accident. Let us all remember to keep their families in our thoughts and our prayers. Secondly, we commend all of the men and women who have worked tirelessly in response and recovery activities to restore the health and productivity of the Gulf and its coastal residents.

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. 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.

Louisiana ranks:

- 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 jobs and economic impacts:

- A 2010 Dun & Bradstreet study 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.
- According to a report conducted by the Mid Continent Oil and Gas Association, the oil and gas industry has a \$70 billion impact on Louisiana.
- Vendors that provide support and services to the industry are located as far away as Pennsylvania and Illinois.

When you consider the fact that Louisiana communities such as Houma, Morgan City and Lafayette are the hub of Gulf of Mexico OCS activities and it is where 1 out of every 3 jobs is related to the oil and gas industry; when you consider the estimated 20,000 jobs in Louisiana alone that are at risk; when you consider that 30% of our domestic oil and gas comes from the Gulf of Mexico; when you consider that Port Fourchon in Lafourche Parish services 90% of all of the deepwater activity and finally, when you consider that *everything* having to do with 33 deepwater rigs would be suspended, you CLEARLY understand that our opposition to the moratorium and the choking of this industry is about saving our jobs, our people, our communities, our way of life. This moratorium was **NOT** on big oil, it was a moratorium on middle class *Americans* who had good paying *American* jobs working for small *American* businesses who support the *American* energy industry.

The Deepwater Horizon accident and the subsequent oil spill were a devastating environmental disaster severely interrupting our way of life; however, on May 28, 2010, our coastal communities were faced with an economic disaster due the administration's broad stroke of the pen in imposing a deepwater moratorium in the Gulf of Mexico and by their "one size fits all" regulatory approach that resulted in a de facto moratorium in the shallow waters.

Let us not forget that five of the seven experts hired by the federal government to review the Department of Interior safety study that led to the moratorium decision 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 does 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." These scientists recommended safety measures but they never agreed to a moratorium. In addition, the federal court system declared the moratorium arbitrary and capricious and it was even opposed by the Bi-Partisan Policy Commission.

The Gulf Economic Survival Team (GEST) was formed as a grassroots organization in the days following the deepwater moratorium announcement by then-Lt. Governor Scott Angelle at the request of Governor Bobby Jindal. Our purpose was to bring together the many voices of local business owners, trade associations, economic groups, chambers of commerce, government leaders and all of the people of the GULF COAST who understood the devastating economic impacts of a deepwater moratorium and de facto shallow water moratorium. The GEST mission was simple: to tell the nation about the economic impacts of the moratorium and get our men and women back to work as soon as possible.

As a grassroots initiative, GEST has collected **over 200,000 signatures** on our on-line petition opposing the deepwater moratorium and now supporting our efforts to resolve the permitting delays in order to get our men and women back to work in the Gulf of Mexico. GEST has received numerous letters and resolutions of support from several Chambers of Commerce, local government entities, as well as from the Louisiana Restaurant Association *and* the Louisiana Seafood Marketing & Promotion Board. You see, in Louisiana we have a long and distinguished history of providing the energy to fuel America while at the same time providing one-fifth of the seafood catch for the lower 48 states. Louisiana is a state with an abundance of natural resources and we believe that our energy industry and our seafood industry can co-exist and allow us to be the nation's Energy State as well as the Sportsman's Paradise.

Since the formation of GEST, we have received feedback from numerous companies and individuals who have been directly impacted by the moratorium and the subsequent delay in permit and plan approvals. Unfortunately, it is the hard working employees who are paying the ultimate price with reduced hours and wages, reduced benefits such as 401k matching, and by being forced to make the tough choices between being relocated overseas or losing their job. Some business owners have indicated that they are no longer drawing a salary and where we once witnessed annual hiring trends we now see balance sheets on the brink of bankruptcy. These are impacts that you do not see in the unemployment lines but yet you see in the eyes of the people along the Gulf Coast.

I would like to share some of the case studies with you today.

Testimonials from Gulf Coast Workers on the Impacts of Federal Permitting Delays:

Thomas Grant, IV, employed by an offshore workboat company in Lafourche Parish:

“I'm noticing more and more empty spaces in our parking lot. I am also seeing more and more small businesses close or scaling back their workforce all around the area of Galliano and Port Fourchon, La. My employer is sending at 100 vessels overseas to Brazil to keep them working. With those transfers go many American jobs.

We need to have deepwater permits for the Gulf of Mexico to be issued sooner, rather than later. Those of us who remain employed are looking at having our salaries cut by our being forced to work equal time instead of two days of work for each day off.”

Johnny Gibson, owner of a The A.C. Company of South Louisiana, Iberia Parish:

“My company is within a few weeks of filing for bankruptcy due to the impacts of the moratorium/de facto moratorium. We are a highly specialized offshore service company renting and servicing instrumentation for oilfield platforms and employ a staff of 20. We have been in business since 1967 and have survived the ups and downs of the oil and gas industry, but this is the worst I have ever seen. The company has been losing approximately \$100,000 per month for the past four months.”

Cory Kief, president of Offshore Towing in Lafourche Parish:

“We are a marine towing company whose primary function is to move drilling rigs. Permits are not being issued, so that means we aren't moving enough rigs. We work by the hour and we aren't working that many hours anymore.

Our staff salaries' are based on commission, and, because of that, ALL have sustained wage cuts. However, these cuts are not enough to manage our overhead. Vessel crews are way too valuable to lay off. So, we continue to keep all of our vessels active for now, using capital to offset any short comings, but even that has a threshold of tolerance that will be reached shortly if some normalcy isn't reached soon. I said SOON!”

James Baker, unemployed as a result of moratorium:

“I'm not a small business owner, but my life has been turned upside down due to the offshore drilling moratorium. I worked for Schlumberger for 29.5 years and was laid off last July as a direct result of the moratorium. I have not been able to find other work, although I have had a few interviews. I worked in the data group that handled the offshore data for clients, and as such I am not eligible for any BP payments. I was planning on retiring when I was 62, but it looks like I'll have to work longer because of this. It's not only my loss of income directly, but my pension was frozen and won't be increasing, and I'm unable to put any money in my 401(k) retirement account.”

Michael Peneguy, DDS:

“Our business has seen a 20% decrease (as have all of my colleagues). I know five patients who have been laid off and two have transferred. One relocated to Texas and another to Egypt. 2009 was not a great year, either for my colleagues and my office. The best analogy I can make is the malaise we suffer when a hurricane is approaching. With a helpless feeling, we sit around watching the weather report all day as a slow moving storm approaches.”

Lester Benoit, General Contractor:

“For the past fifteen years. I have built, sold and rented small commercial and residential properties. In fifteen years, I have never had vacancies like I have now. I have a new construction house that has been for sale since April. Everyone seems to be scared and banks cautious.”

Stacy Constransitch, Realtor in Lafourche Parish:

“My sales have almost come to a screeching halt. It has affected everyone in our office. Phones are no longer ringing like before and we do not have the people coming into the office like before. Sales are down overall. The working people are not purchasing normal priced homes. We have 11 Realtors in the office, and there are very few days that as much as two are in the office.”

And, the recent bankruptcy declaration by Seahawk Drilling and the suddenly unstable futures of its nearly 500 employees is the poster child of the outfall of the moratorium and de facto moratorium.

Seahawk may not be the last, as can be seen from a recent survey of companies conducted by the Greater New Orleans Inc. Economic Alliance (GNO Inc.), two of whom asked not to be named for fear of further weakening their businesses –

- The owners of R & D Enterprises of Harvey, which provides specialized equipment to the offshore exploration industry, reported that they are living off savings since the company has lost 100 percent of its revenue stream and are trying to hang on to employees while waiting for customers to get permits.
- The owners of Company A, a Jefferson Parish company providing offshore equipment and specialized products, said the company lost all of its clients, and has tried to sell some of its equipment to cover costs, but has not been able to. The company has applied for Small Business Administration loans, but received none, and the owners have used their entire savings to pay monthly overhead.
- The owners of Company B, a Lafourche Parish company providing fuel and chemicals to offshore operations, reported they have stopped taking their salaries to help cut costs, and have cut back on hours for staff to remain afloat.

Each of those companies has also reported laying off employees.

Workers inside and outside the energy industry have and will bear the brunt of the continued slowdown and its cascading impact. 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 the sudden, dramatic and ongoing fall in Gulf exploration.

In our efforts, GEST clearly recognized that it should not be “business as usual” in the Gulf of Mexico and the livelihoods of Gulf Coast families depended on the federal government’s ability to swiftly implement the recommended safety measure while at the same time continuing to drill for American oil. We recognized that there was a fundamental need to solve the permitting and regulatory issues with a concerted focus to resolve the bureaucracy and bottlenecks.

Since the moratorium was lifted in October, GEST has served as a facilitator between industry, the State of Louisiana, and the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) to resolve permitting issues that have stalled the return of drilling to the Gulf. We appreciate the time and attention offered to us by BOEMRE Director Michael Bromwich wherein we have had five face-to-face meetings in D.C. and two teleconferences since January alone. GEST has worked with industry to identify the three issues that have proven to be the greatest hurdles and these have been the focus of our discussions: containment,

environmental assessments (EAs), and "should to must" with regard to the Interim Final Drilling Safety Rule and the recommended industry practices that are incorporated by reference.

We believe that our efforts to work through those three issues throughout the past several months have been instrumental in achieving the approval of deepwater permits; however, our work is far from over.

The issuance of the first deepwater permit on February 28, some 314 days after the Macondo event was positive news, but long overdue. With a total of 10 deepwater permits approved thus far, we are on the right path but there is still much work to be done to return to the pre-moratorium rate of permitting and activity. According to the BOEMRE, there are currently over 100 EPs and DOCs ("plans") currently pending, each requiring the federal government to conduct an Environmental Assessment (EA). To date, only 1 plan has been approved (Shell) that required an EA and only 3 have been deemed "submitted" by BOEMRE. In addition, GEST recently conducted a poll of 35 operators to determine the anticipated number of permits and plans they expect to submit in the next three months. With 14 responses, the poll indicates that industry expects to submit 83 plans and 100 permit applications in the next few months. The volume of plans currently pending review and the anticipated submittals is cause for serious concern. Additional bottlenecks in the permitting process will only further delay getting our American workers back to work producing American Energy.

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 with the exception of the Macondo event, this has been a very safe province in which to operate.

Industry has demonstrated to the government the capacity to comply with the most regulated standards on the planet, today is the time for us to focus on finding the energy to fuel America.

While we believed that it was not "business as usual", it is absolutely amazing that the United States of America shut down the oil and gas industry for 314 days. We are not talking about the quilt making industry; we are talking about America's Energy Industry! When, in the history of this great Country have we shut down an entire industry for more than 300 days as a result of single incident? And, one that is as critical to our economy and our security as the Energy Industry!

It should not have been "business as usual" for the deepwater oil and gas operators in the Gulf of Mexico, but it also should not have been "business as usual" for our federal government and their slow response in getting this industry back to work.

Because we know that every permit approved moves us closer to **getting back to work with American energy**, GEST continues to work diligently, respectfully, and sensibly to resolve the issues that are impeding the return of full energy productivity in our Gulf region.

Thank you for the opportunity to provide testimony to this Committee and thank you for your time.

Organizations Submitting Letters and Resolutions of Support:

1. Abbeville-Vermillion Chamber of Commerce
2. Acadiana Regional Alliance
3. Bayou Industrial Group
4. Chamber Southwest Louisiana
5. DOI Oil Spill Review Commission Members
6. East St. Tammany Chamber of Commerce
7. Greater Iberia Chamber of Commerce
8. Greater Lafourche Port Commission
9. Harvey Canal Industrial Association
10. Houma-Terrebonne Chamber of Commerce
11. Iberville Chamber of Commerce
12. Jefferson Chamber
13. Laborde Marine
14. Lafourche Chamber of Commerce
15. Lake Charles City Council
16. Louisiana Police Jury Association
17. Louisiana Restaurant Association
18. Louisiana Seafood Promotion and Marketing Board
19. Morgan City Council
20. National Federation of Independent Business/Louisiana
21. North Lafourche Conservation, Levee & Drainage District
22. Offshore Marine Services Association
23. Port of Morgan City
24. Ports Association of Louisiana
25. St. Bernard Chamber of Commerce
26. St. Mary Industrial Group
27. St. Mary Parish Council
28. St. Mary Parish Government
29. St. Mary Parish President
30. St. Tammany Parish President
31. South Louisiana Economic Council
32. South Central Industrial Association
33. Terrebonne Economic Development Authority
34. Terrebonne Parish School Board
35. Terrebonne Levee and Conservation District
36. Terrebonne Parish Council
37. Terrebonne Parish President
38. Thibodaux Chamber of Commerce