

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 14<sup>th</sup> 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 known 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 employ 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 tough 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