

Field Hearing on Fueling America – Enabling and Empowering Small Businesses to Unleash Domestic Production

STATEMENT BY LEE JACKSON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
JACKSON OFFSHORE OPERATORS, LLC
BEFORE THE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP (SBC) FIELD
HEARING
UNITED STATES SENATE
LAFAYETTE, LOUISIANA
January 21, 2014

Oral Statement by Lee Jackson, Chairman and CEO of Jackson Offshore Operators, LLC

Thank you, Chairman Landrieu, and fellow Senators for the opportunity to appear before you today to discuss how we can work together to improve the commercial environment for small businesses and entrepreneurs in Louisiana through the growth of domestic energy production. Obviously I'm no expert when it comes to tax law but surely I can testify to the trickle down effect of such incentives and it's effect on companies such as mine.

Jackson Offshore Operators, LLC operates fast crew supply vessels and platform supply vessels to the offshore oil and gas industry in the Gulf of Mexico. We currently have two (2) 175-foot fast crew supply vessels in operation under long-term contract with a super major oil and gas company. In addition, we have two (2) additional 210-foot fast crew supply vessels under construction at a shipyard in Harvey, LA and four (4) 252-foot platform supply vessels under construction at a shipyard in Florida.

The fast crew supply vessels are utilized to carry industrial workers and general oil field cargos between shorebased locations and the drilling rigs, and production installations offshore. The four (4) platform supply vessels are much larger vessels that are specifically built to support deepwater drilling, development and production. These four (4) vessels are also on long-term charter contracts with super major oil and gas companies.

Jackson Offshore Operators, LLC was formed in May 2011 when I purchased two (2) fast crew supply vessels that had been built in Louisiana two years earlier. By this time next year Jackson Offshore employment will grow to approximately One hundred Thirty-Six (136) personnel once our expanding efforts reach it's peak of all eight (8) ships in operation with our annual payroll and benefit costs exceeding \$30 million on an annual basis.

While Jackson Offshore Operators is young company, we have been blessed to have loyal support from our customers, the Domestic and International Oil and Gas companies. Without the large oil and gas companies being active in Louisiana and the Gulf of Mexico, my company and its growth would simply not be possible. Jackson Offshore is in a capital-

intensive industry and we have to build state of the art vessels to support deepwater drilling and these ships are very costly. Currently the six (6) ships under construction will cost in excess of \$180 million.

Without the long-term contracts issued to Jackson Offshore Operators, LLC by the major oil and gas companies, I would not have been able to secure the equity capital of over \$35 million dollars and obtain the necessary debt financing to build the ships contracted by the offshore oil and gas companies.

The major oil and gas companies find investment in the United States to be attractive for several reasons. The USA is a stable country; it is a country with fair and well-established laws and tax regulations that make drilling, development and production of oil and gas in the USA economically attractive. In addition, the USA has been blessed that oil and gas has been found here in abundance.

However, there are many other countries around the world where oil and gas has been found and that offer attractive alternatives for the investment of the capital dollars to the oil and gas industry. As a result, it is of critical importance that the environmental laws and the tax regime in the USA remain competitive with those found in other countries around the globe.

I am not suggesting that we should reduce our commitment to having high environmental protections for our country, but that the environmental laws and regulations should be enforce in a transparent, fair and balanced way. Using environmental laws and regulations and with new and more punitive interpretations to punish the oil and gas companies will unnecessarily raise the costs for safe and clean drilling, development and production of oil and gas will certainly result in the capital of these companies moving to other countries.

While our tax laws are and have been used to incentivize and direct investment of capital throughout the history of the Country, I would argue that they are not giveaways and by changing the existing tax laws and regulations for the oil and gas industry at this time would have a very detrimental effect on the future growth of Jackson Offshore and the oil and gas industry in general. The Administration proclaims it wants an “all of the above approach” to energy policy in the USA and it has taken many actions to encourage production of renewable energy. I believe this focus on renewable energy is good of our Country. But an “all of the above” approach to energy policy in the USA should not include any changes in the current tax laws and regulations that discourage oil and gas exploration, development and production in our Country. Changing the existing tax laws and regulations to increase taxes, fees and create higher costs to the detriment of oil and gas industry in the USA will only cause the oil and gas companies to move their future capital spending to other countries that provide a better economic return to the investor.

We should all remember that investment capital always flows to the venue where it is best treated. Raising the costs of drilling, developing and producing oil and gas in the USA will only result in reduced capital dollars being invested here at home. Without the commitments by the oil and gas companies to the deepwater of the USA, Jackson Offshore

Operations, LLC would not exist today. Without the continued investment by the oil and gas industry in the USA our future growth will be ended.

We must all realize that the USA is in competition with other countries for investment dollars. We need to encourage, not discourage, additional investment in the USA by both Domestic and International Oil and Gas companies.

Thank you for this opportunity to provide you with my views on this topic that is critical to my Company, Louisiana and frankly the US.

I yield back for any questions