



“MR OBAMA YOU SHOULD NOT ELIMINATE OUR JOBS”

by Matt Smith, VP-Operations

1. **Delmar Systems Inc. is a highly specialized and technically driven entity which derives all of its income through the mooring (anchoring) of the deepwater drilling vessels (semi-submersible Mobile Offshore Drilling Units – MODUs).** Our revenues stem from the support of the drilling activities of the deepwater operators in the U.S. Gulf of Mexico (USGOM). As different from other global markets, in the US, our highly trained and specifically focused company provides the equipment, personnel and engineering in the mooring of the floating drilling rigs. In other world markets, these services that we offer are segmented between several entities and the vessel operations are carried out by the vessel crew under the directions offered by one or more consultant companies. For 42 years, Delmar has accomplished many world records, efficiencies and implementation of new technologies by its single focus on mooring of the drilling rigs that have been unrivalled in other parts of the world. In a task that is regarded internationally as inherently high risk for personal injury, Delmar has performed with safety statistics that are typically beyond what most “safer” professions can deliver.

Our personnel are the key to our business. Without these people, we cannot design mooring systems, handle equipment or offer the detail of focus to the oil and gas industry for the critical path operations we perform. Delmar cannot recruit personnel that are experienced since there are merely two contractors available for our service to the US market and the one which is domestically owned. We spend a great deal of time and effort in attracting and developing

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personnel that are drawn from a national basis. The moratorium will interrupt these people from earning a living and force them towards other professions. Personally, after 30 plus years of experience in the mooring business, it may be impossible to earn a level of income anywhere close to what we have built through Delmar. Our personnel cannot survive on six months of income loss and will leave the entire industry for more stable, although reduced income. I can remember in the oilfield crash of 1984, many qualified people did leave for just this reason. The entire oil and gas industry struggled through the mid to late 90's to develop the level of expertise available in the service companies today. Not only Delmar, but all of the service companies, drilling contractors and even operators are nothing but ineffective without their personnel. The required level of training and experience are not gained overnight. In thinking that the moratorium is a temporary interruption, it must also be considered that it could cause a semi-permanent personnel deficiency that inhibits some companies to remain in business or promotes consolidation to provide the industry with competent service. Therefore, the moratorium would have created just the situation it set out to seemingly prevent – a lack of qualified capability to many key components that support energy production.

2. **For the time period of the moratorium, the oil companies will have production revenues to carry them through, even though those revenues will diminish within that period of time.** The service companies which support crucial activities for energy production will not have any income and be relegated to a survival status. Many of these companies, such as Delmar, have no hand in the actual drilling of the wells and their services will be eliminated due to the effect of the cessation of drilling. All of this is in regard to the result of one particular drilling operation out of the hundreds that have already been conducted in water depths greater than 500 feet. Delmar has been involved in, at least, 500 well operations in the past six years, for example. As we experience daily, each oil and gas operator has their own culture for conducting business. We think it impulsive that the entire industry be held in suspension due to the effect of one well operation. Delmar and other service companies will have no prospect for domestic business and the global economy is relatively prohibitive to seeking revenue internationally as well. Being a privately owned corporation, it is unrealistic that the company principle could endure the financial drain to support the organization from personal resources for, what is now, an undetermined amount of time. Once this and other service companies reach stand-down levels, they will have limited or no funding to resume operations to a responsible degree. Oil and gas companies do not have the infrastructure to provide the specialized services that are procured through the multitudes of supporting business entities. The industry operators will be trying to restart with what would now be considered substandard equipment, personnel and services. Where Delmar is concerned, 42 years of effort to grow, innovate and foster safety in to a specialized but crucial industry need will have been lost. This moratorium would have served as a detriment to safe and responsible operations in areas that are not a concern as of now because the expertise of the support structure would have been compromised.
3. **In the event that the oil and gas operators cannot produce energy resources domestically in the USGOM deepwater arena, they will move their focus to other world markets and the drilling rigs will follow suit.** The business and jobs associated with deepwater drilling will be lost and the revenues and personal incomes removed from the local economies. In the example of Delmar, the personnel who have dedicated their careers to a specialized field would initially add to unemployment rates and, at best, entry level workers in dissociated fields. There are not many jobs that anchor handling, casing crews or roustabouts, for example, can move into readily outside of the oil and gas industries. For the local economies of the Texas, Louisiana,

Mississippi and Alabama areas, the lost earnings of the displaced oilfield workers will impact all of the businesses supported by them as well. Home builders, grocery stores, banks, recreational equipment companies and a plethora of the imaginable businesses where gainfully employed people spread their income throughout the community will suffer. Every aspect of the society will feel the effect of this lost economy. Not to mention, the taxation revenue that will be removed from the communities, states and even federal governments. These professions that will be disappearing are not minimum wage earners, they are often the significant backbone of the economies that are keeping alive specific regions of the American country. The incomes of the oil and gas industry workers are not cash basis business and are reported, withheld and paid annually to furnish the infrastructure used by the whole community. Many smaller communities could not survive the loss of the support provided by the workers whose livelihood is now in jeopardy.

4. **As has been publicly discussed in then media, the president's own panel of experts did not initially recommend that all drilling should be halted as it was recognized specific events occurred during the Macondo well that seemed atypical to what is the industry norm.** To judge the safety and environmental consideration of the entire industry in regards to the happenings of one operation is not a fair comparison. As has been openly stated, the transport of oil by ships was not ceased due to the spill in Alaska. Air travel is not suspended when one plane crashes. The fact that the occurrences of this well operation should be examined and future disasters such as this should be prevented is representative of the culture of the US oil and gas industry as a whole. As mentioned earlier, what must also be considered in how many wells have been drilled safely in deepwater and what was unique about this one in particular. The environmental impact this has caused is not ignorable and must be rectified. Although it could be questioned if the regard for the oil and gas industry as a result of this incident is consistent with actions taken in regards to other incidents or motivated by political agendas?
5. **As Americans, there should be some concern in regards to national security and energy dependence on other nations if the moratorium is allowed to continue.** Producing oil and gas wells will provide diminished production without being stimulated by drilling rigs periodically. In the meantime, our national dependence on foreign oil will grow as a result. The prospect that renewable energy will replace the deficit left by reduced hydrocarbon production is not a short-term reality. The American public and our political leaders should recognize that the gas for our cars is only a mere fraction of what the oil and gas industry makes possible in our lives. A commercial on television states that last year Americans purchased enough bottles of water that layed end to end would circle the earth 12 times. These plastic bottles where the product of the production of hydrocarbons. The plastic in our computers, the electricity we cool and heat our homes with and many of the fibers we dress ourselves in are also derivatives of oil production. The chance that renewable energy can provide these fundamental needs in a timely or economically feasible fashion is not realistic. If domestic oil and gas production is reduced, our dependency on foreign resources will be increased far beyond what is used for our cars at the gas pump. **This is the reality of the current day world we live in. An impulsive or politically driven decision that would command our energy supply be changed in an overnight fashion is not realistic from either a practical or economic point of view.**