

PORT FOURCHON

The Gulf's Energy Connection

- ▶ Quality and quantity matter
- ▶ Moving toward the next wave
- ▶ Next LA-1 construction nears
- ▶ GEST battles BSEE rule proposal

About the photo: This aerial shows the Northern Expansion of Port Fourchon. Photo courtesy of Greater LaFourche Port Commission.

SPECIAL SUPPLEMENT TO
World Oil
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CONNECTING THE BAYOU TO THE SKY

The South Lafourche Airport, located along Bayou Lafourche in Galliano, LA, is a vital cog in the matrix of transportation, service, and support facilities for the deepwater oil industry in the Gulf of Mexico. Its close proximity to Port Fourchon makes the South Lafourche Airport a great choice for both business and recreational travel to South Louisiana.

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A message from the executive director

Quality and quantity matter now, more than ever

As the industry continues to grapple with the ramifications of stubbornly low oil prices, the need for an all-inclusive, centrally located and cost-effective supply-and-service center has never been greater. And, that is precisely what Port Fourchon delivers. Despite the current economic climate, we remain steadfast in our commitment to work side by side with our industry partners to ensure that the deepwater Gulf of Mexico remains America's premier source of energy.

Our varied and high-quality tenants provide all of the equally high-quality products and services required for the most challenging deepwater and ultra-deepwater exploration and production projects. Also, our centralized location along Louisiana's southernmost coast, makes it easy to see why Port Fourchon has long been recognized as "The Gulf's Energy Connection."

Frankly, while companies choose Port Fourchon, because we are the only game in town, we are the only game in town for a very good reason. Our widely held stature as the world's preeminent deepwater service-and-supply center took root in the economic pressures that, like today, characterized the oil downturn of the 1980s. Then, when companies needed to consolidate their Gulf of Mexico operations, perfectly centralized Port Fourchon became the logical choice. Since the industry first began targeting deeper waters, Port Fourchon, with its fast and cost-effective access to the outermost boundaries of the Gulf and state-of-the-art infrastructure, remains the most obvious choice. Importantly, our port commission has, and continues to, invest heavily to reinforce Port Fourchon as the only one-stop source for every service and commodity needed to deliver hydrocarbons from the deepwater Gulf of Mexico. Quite simply, we put skin in this game, too, and our Commission has a long history of working collaboratively with our tenants in both good times and bad to ensure deepwater oil and gas remains here for the long haul.

In these trying times, quality, quantity and location matter more than ever, but Port Fourchon is so much more. Our dedicated commissioners consider themselves more than just a port authority, but also staunch advocates for the industry, our tenants and our community. This year, for instance, we offered our voice in opposition to the U.S. Bureau of Safety and Environmental Enforcement (BSEE) proposed Well Control Rule, which, if enacted, would have a devastating impact on the industry, and our community, for years to come.

Of course, Port Fourchon would not be what it is without our tenants, who represent some of the most respected names in the industry, providing state-of-the-art technologies and services, and bolstered with the support of a progressive port authority with a laser-focused resolve to ensure they remain competitive.

Port Fourchon is highly regarded at all levels of government, playing host to sitting members of the U.S. Congress

and agency heads so that they can better understand the needs and benefits of the industry.

We are keenly aware that the oil prices we have today are not sustainable to meet the nation's increasing demand for energy. That's why, rather than simply wait for times to get better, we at Port Fourchon are expanding our capabilities to guarantee our industry is poised at the leading edge for development when the upturn inevitably comes. —Chett Chiasson **WO**

Port Fourchon Executive Director Chett Chiasson.



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Port Fourchon plows toward next wave

The unemployed supply vessels tied to docks throughout southern Louisiana may reflect the near-term prognosis for the deepwater Gulf of Mexico, but the longer-term prospects can be heard in the incessant drone of dredging machines at work in the aquatic arteries crisscrossing Port Fourchon.

So says Port Fourchon Executive Director Chett Chiasson, who points to the cyclical history of the oil and gas industry as proof positive that the continued expansion of the premier deepwater service-and-supply hub in Lafourche Parish is well-justified. “We know it’s a challenging time, but we have to do the things to benefit our customers, and continue to move forward to meet the future demand when the next wave invariably comes,” said Chiasson. “We’re preparing for that next wave now.”

In the meantime, most of the 80 companies holding more than 140 leases in Port Fourchon are taking the brunt of low oil prices, as exploration, deepwater and otherwise have dropped appreciably. As evidence, Baker Hughes reports 26 rigs active in the Gulf of Mexico as of March 11, down 20 rigs year-over-year. The abject state of the current deepwater drilling environment was driven home in January, with Freeport-McMoRan’s decision to idle three drillships and defer much of its planned, 2016 ultra-deepwater drilling program. The operator said it is working to restructure rig contracts.

The annual *World Oil* forecast has 126 new wells being drilled throughout the Gulf in 2016, exceeding the U.S. Bureau of Safety and Environmental Enforcement’s (BSEE) 100-well projection. In 2015, Gulf of Mexico operators drilled 199 wells, according to BSEE, which, at the beginning of that year, had predicted 144 wells would be drilled.

“We service production, but most of our business comes from drilling, so whatever is out there, for the most part, we ser-

vice. There’s certainly a lot less activity than we’d like to see,” said Chiasson.

Obviously, the drilling pullback has brought a proportionate reduction in demand for the commodities and services delivered by most of the port’s tenants, whose balance sheets have taken a severe hit. In response, the Greater Lafourche Port Commission extended the current 20% lease rate reduction in February until the end of 2016, unless oil prices reach \$60/bbl for 60 consecutive days in the meantime, said Chiasson. The commission originally authorized the blanket rate relief in March 2015, but with a sustained \$70/bbl trigger price. It represented the first time that the port authority had approved a discount of basic rental rates because of a market downturn.

“This port commission recognizes that the industry is facing trying times right now. As Port Fourchon is primarily the service base for drilling, the major business of our tenants is supporting exploration. Drilling is down, so the service side is also down quite a lot,” Chiasson said.

Nevertheless, Chiasson said total leases are actually “up a bit” over last year, [Fig. 1](#). “All of our direct tenants are still in the port, though there has been some movement of companies that were renting from our customers. We also continue to get inquiries from companies that feel they need to have a presence at the port.”

Eric Danos, executive V.P. of family-owned Danos, which provides personnel and related production and project support services, suggests that while companies must retrench to weather the economic storm, cutting too deeply could hamper the ability to take advantage of better times. Now, for example, is a good time for training, he said from Danos’ one-year-old, 64,000-ft² corporate headquarters in Gray, La., some 33 mi from its original home in Larose, La.

“We all know the industry will come back, so we don’t want to cut so hard and deep that we can’t respond. But, even in today’s market, there are still opportunities out there,” said Danos. “We’re trying very hard to preserve our ability to respond when the market comes back. We feel like we have some really good human capital, both in the field and office, and we want to hold onto that. Our intent is to build a team that is second to none.

“We still envision our company growing significantly. We’ve been on a great trajectory, and now we’ll take a pause for a couple of years and get ready for when the market comes back.”

PRODUCTION CLIMBING

There is no such pause on the production side, where Wood Mackenzie estimates the Gulf of Mexico will reach a milestone in 2016, with an additional 250,000 boed coming onstream. In its global upstream analysis released in January, the consultancy said that 2016 Gulf of Mexico production will reach a new peak of 1.9 MMboed, despite a 9% decline in capital investment.

Fig. 1. Aerial view of Port Fourchon from Slip A to the emerging Slip D.



Bolstering that projection are the four new deepwater fields that the U.S. Energy Information Administration (EIA) says will hit sales lines this year, joining the eight developments that began production on the Outer Continental Shelf (OCS) last year. In January, the Anadarko-operated Heidelberg field began flowing up to 80,000 bopd from 5,271 ft of water in Green Canyon. It will be followed by the start-up of Shell's record-setting Stones development on Walker Ridge. Located in 9,556 ft of water and targeting the Lower Tertiary, Stones will become the world's deepest production installation. It also will mark the Gulf of Mexico's second floating production, storage and offloading (FPSO) facility. The first phase of the development is designed to produce at a 50,000-boed capacity.

Also on tap for first oil this year are Noble Energy's Gunflint project in Mississippi Canyon and Freeport's Holstein Deep in Green Canyon, which will produce oil and gas from 6,138 ft and 4,326 ft of water, respectively. LLOG Exploration's Son of Bluto 2 in 6,461 ft of water, and Freeport's Horn Mountain Deep (5,400 ft of water), are on tap to commence production in early 2017, according to EIA.

"One of the most fascinating things for me over the past year, especially on the production services side of our business, is that our customer base has really been re-invented," said Danos. "We've traditionally worked in a very significant way with the super majors, but now we're seeing our headcount come down significantly with those companies. But overall, it's being replaced by a completely different set of companies. Now, we're picking up opportunities with mid-tier companies and definitely on land, so the profile of our business has changed significantly."

MOVING FORWARD

Current economic conditions notwithstanding, Chiasson said the port authority has not relented in its commitment to the continued development of what has been oft-portrayed as a once-inaccessible swamp, transformed into one of the nation's most valuable pieces of real estate. To that end, work continues full throttle on the 15-year-old Northern Expansion campaign, which will add considerably to the more than 66,000 linear ft of waterfront and just over 1,100 leased acres that the port now controls, **Fig. 2**. "We can't stop, because prices are down. We're actually catching up, and we'll be ahead of the game and more than ready to meet the demand, when it comes back strong," he said.

Along with routine maintenance dredging, most of the work this year will concentrate on the continuing build-out of Slip C, with the simultaneous construction of two bulkheads that will open up 800 linear ft of waterfront on the east side and another 950 ft on the west side. The east-side development is expected to be ready for occupancy by the third quarter, while completion of the 950 ft of additional waterfront on the west side is expected by the end of 2016. "This year, we'll be focusing largely on these two bulkheads, as well as some maintenance dredging in Flotation Canal," said Chiasson. "Both of these bulkheads have rights-of-first refusal. We'll likely be continuing to develop Slip C through 2017, and probably into 2018."

Bollinger Shipyards of nearby Lockport is among the tenants, which recently began new operations along the rapidly developed slip. Bollinger's 46-acre Fourchon North, full-service shipyard, at the head of Slip C, comprises two 10,500-ton, one 5,000-ton and one 2,000-ton dry-dock.

Fig. 2. The current status of the 15-year-old Northern Expansion project.



Fig. 3. The three tanks at Harvey Gulf International Marine's bunkering facility in Port Fourchon are capable of holding 90,000 gal of LNG each.

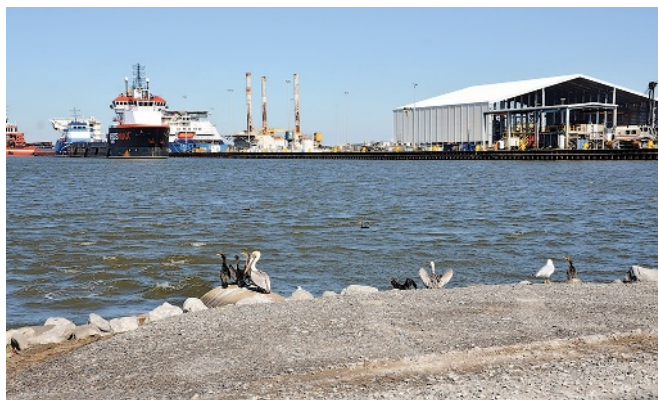


Also on Slip C, Halliburton plans to be fully operational in July at its new 23.6-acre, multi-service facility that expands its existing drilling and completion fluid mixing and storage facilities, and cementing capacities at the port. The new complex also will accommodate the company's stimulation and well intervention vessels. "The facility has four slips that can handle two vessels, each, along with an additional 500 ft of bulk area

Fig. 4. The newly renovated and expanded South Lafourche Leonard Miller Jr. Airport, including Chevron's new facility (blue building).



Fig. 5. Waterfowl stand guard at Port Fourchon's fully developed Slip A.



for larger vessels, for a total of nine 300-ft class vessels," said a Halliburton spokesperson. "Production enhancement (stimulation) vessels are already operational from this facility, with the full complement of services, including stimulation, acidizing, sand control and nitrogen, as well as providing the fuel and water to supply vessels while loading fluids and products."

Following the 2015 completion of its 1,400-linear-ft bulkhead on Slip C, Schlumberger also is moving forward with the construction of a cement mixing facility.

Elsewhere in the port, Harvey Gulf International Marine has completed installation of the nation's only liquefied natural gas (LNG) bunkering facility, designed specifically for refueling offshore support vessels (OSV), **Fig. 3**. Completion of the fueling station coincides with the delivery of the 302-ft newbuild *Harvey Power*, the second OSV in what is the first U.S.-flagged, dual-fueled support vessel fleet.

The *Harvey Power* joins sister vessel, *Harvey Energy*, which was delivered last year from Gulf Coast Shipyard Group (GCSG) in Gulfport, Miss. Harvey is building six LNG-fueled OSVs, five of which are locked into five-year deepwater charters with Shell.

On fully developed Slip B, major leaseholder Chouest is in full operation at C-Port 3, the third rendition of the covered deepwater supply design unique to Port Fourchon. Also on Slip B, Weatherford says business remains steady at its almost fully

automated casing bucking facility. "We've bucked thousands of feet of casing and tubing since this time last year," says Ricky Guidroz, district manager of Weatherford Tubular Management Services. "We have been very busy, and operating at maximum capacity at times."

The progressive strategy inherent to the 800-acre Northern Expansion project is exemplified with the preliminary work underway on undeveloped Slip D, which, upon completion, will add nearly 10,000 linear ft of waterfront. "We've just completed the initial bucket dredging of Slip D, and hopefully by the end of the year we'll begin hydraulic dredging to design that slip," said Chiasson.

From an economic perspective, Chiasson said the reduced demand during the extended downturn presents an opportune time for development. "For us, now is a good time to develop, because there's not a lot going on for construction and development right now. We have a lot of contractors bidding for work, and the prices are good. We're using that to our advantage and being wise with our money, so we can continue to ensure the port remains the premier center for deepwater oil and gas."

Importantly, in anticipation of future deepwater demand and the associated need for more super-sized supply vessels, the port commission has been given the green light to work with the U.S. Corps of Engineers to investigate the deepening of drafts throughout Port Fourchon. Chiasson said the U.S. Army assistant secretary for Public Works earlier this year approved the preparation of a feasibility study, under the auspices of Section 203 of the Water Resources Development Act of 2000. "We now have approval to enter into an agreement with the district Corps of Engineers to actually investigate deeper drafts within the port to accommodate the larger vessels that will be required. We're certainly confident that once this report is complete, we'll have authorization to proceed with deeper drafts," he said.

AIRPORT IN MIX

The aggressive expansion program also extends to the South Lafourche Leonard Miller Jr. Airport, which the Greater Lafourche Port Commission now wholly controls. Effective Feb. 1, the commission officially took over as fixed base operator (FBO). "While we own the airport and all the property around it, the fixed-base operations—including the hangar and the selling of fuel—had been with a contractor," Chiasson said. "By taking over operation of the FBO, we can lower fuel prices and generally make the airport more marketable."

As with its marine counterpart, the airport has undergone major expansion over the past few years, highlighted by Chevron's new \$30-million facility, designed to consolidate its entire Gulf of Mexico aircraft fleet, **Fig. 4**. Chevron's new complex was designed to accommodate some 40 aircraft, and upwards of 6,000 incoming and outgoing passengers a month. "Chevron has told us it actually has more people going out there each month than it had originally planned," Chiasson said.

In addition, the port commission has completed cosmetic and electronic upgrades at the terminal, according to Chiasson, who said tenant Rotorcraft Leasing, Inc., also completed its planned airport expansion. The next step, Chiasson said, is rounding up funding for a new access road to the airport, which could pave the way for long-awaited construction on the adjacent and undeveloped 1,200-acre industrial complex. **WO**

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QUALITY, QUANTITY, AND LOCATION
MATTER.**



PORT FOURCHON IS PROVEN

- Centrally located on the Gulf coast, with fast access to the Gulf of Mexico
- Miles of existing infrastructure with state-of-the-art, industry-specific facilities
- High-quality and cost-effective supplies and services from a variety of established equipment, service, and logistics companies
- Capacity to accommodate the more than 250 companies that call Port Fourchon home, including 14 miles of waterfront property, 1200 developed acres, and continued expansion into Slip D and beyond for future growth
- An overwhelming percentage (75%) of total GoM oil & gas supplies and services are concentrated in Port Fourchon, meaning quick turnaround when time = money.

We are the **Gulf's Energy Connection**, the only one-stop source for every service and commodity needed for deepwater exploration and production in the Gulf of Mexico.



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Construction nears for next leg of LA 1 project

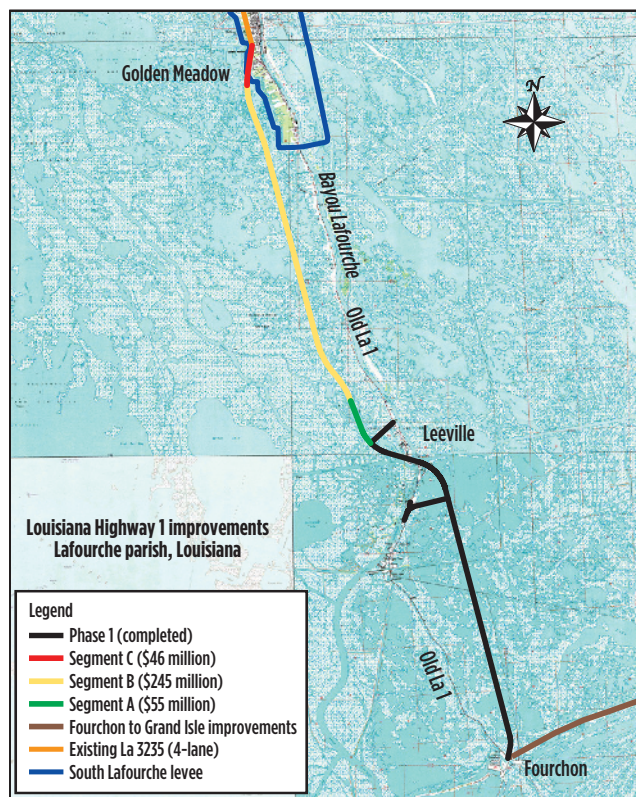
Construction should begin this fall on the next leg of the nearly 19-year effort to complete the elevated replacement of the time-worn, and often-impassable, Louisiana Highway 1 (LA 1) corridor from Golden Meadow, La., to Port Fourchon.

Henri Boulet, executive director of the public-private LA 1 Coalition, said the \$46-million project entails a 3,400-ft ramp and elevating T-wall, which will provide utility access over the South Lafourche Levee in Golden Meadow. Funding for the span included \$40 million from Louisiana's Capital Outlay Program, with the remainder coming from industry matching funds. Construction was to have begun earlier this year, but the U.S. Corps of Engineers has not yet finalized the T-wall permit, Boulet said. "We're inching along. We expect the state to put this section out to bid in June, and we should be seeing cranes three months later. We're basically just waiting on the federal permit to build the T-wall."

The utility overpass is essential before construction can begin on the two remaining segments of the LA 1 project: a 6-mi roadway from Golden Meadow and the tie-in to the elevated roadway from Leeville to Port Fourchon, which has been in use since 2011. Construction of the final sections, however, will cost a cumulative \$300 million.

To that end, Boulet said the coalition is investigating funding possibilities from myriad state, federal and industry sources, including a provision within the new federal highway bill signed into law last December. "The nationally significant freight program that came out of the congressional highway bill, for the first time, puts energy as a criteria in that it specifies improvements for highways vital to national energy security. We'll be applying to hopefully receive some of the \$300 million we need to finish the project," said Boulet. **WO**

Updated schematic of LA 1 status showing the impending levy overpass (red), and the remaining two segments (yellow and green), which will cost a combined \$300 million.



New rule would reduce GOM appeal: GEST

Even at \$80/bbl oil, the well control rule proposed by the U.S. Bureau of Safety and Environmental Enforcement (BSEE) would reduce Gulf of Mexico exploration by as much as 55% each year, according to a recently released Wood Mackenzie study commissioned by the Gulf Economic Survival Team (GEST) of Thibodaux, La.

While BSEE put the cost of compliance at \$883 million, the Wood Mackenzie macro analysis concluded that the rule would reduce industry investment up to \$11 billion per year. The 60-day public comment period ended last July, and despite intense

lobbying, GEST Executive Director Lori LeBlanc said industry was only given a 30-day extension. "They gave us 90 days to review a 264-page document that took BSEE over four years to draft," she said. "Industry did as much as it could, but we believe the (BSEE) economic analysis is severely flawed, and especially the impact it would have on Gulf Coast communities. The Gulf would become less attractive," she said.

Citing the proposed drilling margin, cementing and other stipulations in the rule as written, an industry survey of 175 Gulf of Mexico wells drilled since July 2010

found that, under the new requirements, 63% could not be drilled as designed.

In early February, the rule was forwarded to the administration's Office of Management and Budget (OMB), which has economic oversight. "We've requested a meeting with OMB and we're going to ask that they take a close look at these economic numbers, and ask BSEE to re-evaluate the economics of this rule," LeBlanc said. "This rule would not only intensify what we're going through now, but even if the price of oil comes back, we won't be back to business as usual, if this is adopted." **WO**

Unique buoyancy landing string system debuts in GOM

ExPert Landing String Solutions of Madisonville, La., is awaiting results of the first application of the industry's only modular buoyancy system, engineered to safely land the long strings of heavy-walled casing required in most ultra-deepwater Gulf of Mexico wells.

While running casing, the patented floatation module is placed inside the riser on the landing string, thereby "reducing its weight and the hookload to a manageable level," says General Manager Chris von Eberstein. Compounding the HSE benefits, he said, has the capacity to, in most cases, eliminate liner tie-backs that can cost upwards of \$20 million to \$25 million per deepwater well.

Noting longer casing strings can exceed the safe working loads of even hoisting systems of the latest generation rigs, Eberstein said, "This design can expand the operating range of third-, fourth- and fifth-generation rigs to step into field depths where previously only ultra-deepwater rigs could operate." ExPert Landing String Solutions is a division of ExPert Riser Solutions of Port Fourchon. **WO**

The industry's only buoyancy landing string system is installed at the ExPert Riser Solutions facility in Port Fourchon, La.



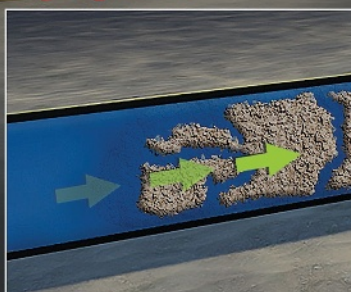
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