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Competing Gulf ports position themselves for drilling expansion

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HOUMA — Port Fourchon isn't alone in gearing up for a potential drilling expansion in the eastern Gulf of Mexico.

At least two other cities, Venice and Mobile, Ala., are positioning themselves to compete for a share of the business for potential deepwater oil-and-gas developments off the Florida coast, a push renewed when President Obama reopened the door to drilling in those areas last month.

Founded 50 years ago this year, Fourchon serves the majority of oil-and-gas activity in the Gulf and over 90 percent of that takes place in waters deeper than 1,000 feet.

Because these new projects take so long to build and are so advanced, they are less vulnerable than drilling in shallow water to the peaks and valleys of the oil-and-gas economy. It takes place on a massive scale: The port, which has a \$77 million budget, supports about 15,000 jobs and hosts 250 companies. Nearly 270 vessels use the port daily.

Other ports see the tax dollars, investment and jobs that Fourchon has created as a tantalizing prospect, especially considering some are geographically closer to the new development areas than the Gulf's largest supply point.

"It would be natural that with this further expansion of the development of the eastern Gulf, they would try to get some of that business," said Joe Accardo, president of the Ports Association of Louisiana.

Drilling is still years away. Opening the area would require Congressional approval, extensive environmental monitoring and the proposal could still be derailed. But while Louisiana certainly has much to gain from the potential new business, facilities closer than Fourchon could have an edge in the long run.

Federal waters offshore of Louisiana and Texas have been open to oil-and-gas exploration for decades. But given its well-known white beaches and wildlife, Florida has strongly opposed drilling off its coast. Environmental advocates still take exception to the area where Obama has lifted the moratorium, which includes only waters 125 miles or more from shore.

The U.S. Minerals Management Service says the area could contain as much as 3 billion barrels of oil and 12 trillion cubic feet of natural gas, but says the numbers are uncertain and outdated. A lease sale in a small portion of the eastern Gulf was authorized by a 2006 energy bill, but so far it's the only spot where drilling is permitted.

Since most of the areas in question would be in the deepwater areas in which Fourchon specializes, the port has a major stake in the potential business. The port is home to \$1 billion in infrastructure and knee-deep in a 4,000-acre expansion that would accommodate future tenants, says its director, Chett Chiasson. The setup allows companies to refuel, repair and reload offshore-service vessels to keep

supplies running smoothly, a process essential to keeping down costs in expensive offshore-drilling and production projects.

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“We’re in the position to handle all the needs of the eastern Gulf of Mexico,” Chiasson said. “The efficiency of the types of facilities we have in port allow us to service a broader area of the Gulf. I feel confident as long as we keep providing the services that are necessary to service the oil-and-gas industry, we’re going to continue to be the choice of the oil-and-gas industry.”

Chiasson said he’s aware of other ports’ efforts to position themselves to take advantage of expanded drilling, but said the projects still have a ways to go.

“Competition is good: It keeps us on our toes, thinking about what we do to stay ahead of the curve,” he said.

Venice, the coastal port in Plaquemines Parish, has served the oil-and-gas industry since the 1940s. But in 2005 it was devastated by Hurricane Katrina, whose eye passed directly over it, said George Pivach II, an attorney for the port.

Now the Venice Port Complex, revamped with \$75 million in new roads and other infrastructure, is leasing 38 acres on the site. To its credit, Pivach said, the facility only lost a single client after Katrina and wants to use the potential eastern Gulf expansion as a chance to move from serving inland and shallow offshore waters to the deepwater market.

“We don’t view ourselves in competition with any port,” Pivach said, but part of a group of state facilities working together for jobs and investment. “It’s an opportunity for us to capture a new emerging market. We believe with Venice capturing the market east of the Mississippi, it’s a Louisiana win.”

About 200 miles west, Mobile, Ala., has been working to position itself to take advantage of the eastern gulf’s resources for about two years. Its Chamber of Commerce has been promoting the city with program called “Offshore Alabama,” which on its website is billed “Tomorrow’s Great Energy Center for the Eastern Gulf.”

The campaign is mainly targeted at existing businesses, said Steve Russell, director of business retention and expansion for the chamber.

“Mobile’s role to play is the niche market,” Russell said. “Geographically, we have the capability of serving the eastern Gulf. I don’t really see us being another Port Fourchon in that sense. We just want to be a part of this.”

Mobile Bay was first leased for natural gas production in the 1980s, and the area’s oil -and-gas industry has grown since. The oil-and-gas companies include Aker Solutions, which makes the flexible pipes used in deepwater production, as well as a range of ship builders and two private shore bases.

Those facilities provide many of the same services as Fourchon, though with a fraction of the volume, said Chip Conklin, principal engineer for Construction Solutions, one of the private shore bases.

“I think it has a lot of potential,” said Conklin of the area. “It is currently the Siberia of the Gulf of Mexico: Most people need maps to figure out where we are.”

Mobile has one advantage that Fourchon lacks: Height. Its port facilities are 16 feet above sea level on a small bluff, while Fourchon is close to sea level and must constantly reinforce protection against storms and erosion.

While a newer competitor might lack all the amenities of Fourchon, simpler services closer to the site could provide a lower price tag, Conklin said.

Just an hour's drive across the Florida state line in Pensacola, oil-and-gas interests are less likely to face competition in an area where the drilling proposals are still widely unpopular, says Evon Emerson, president and CEO of the Pensacola Chamber of Commerce. In a coastal city known for its tourism, military bases, research and technology, she knew of no local proposals to try to capture a share of the oil-and-gas business.

"We've had a long-standing position against this," she said. "We look at tourism and the armed services and don't want to do anything to cause consternation. Our white beaches are the most-beautiful beaches in the world. It's a major part of our industry."

Companies contacted for this story wouldn't comment whether the eastern Gulf development would prompt a shift of their resources to closer supply points.

"Certainly I would assume some of the majors are going to take a look at that," said Chris John, president of the Louisiana Mid-Continent Oil and Gas Association.

That said, many of the sites would be far enough out that their launch point from the coast might not be as significant. The overall picture — while still part of the distant future — would be a strong net benefit for the whole region, John said.

"This has an enormous potential for the energy coast," he said. "They'll be plenty of business for everyone, trust me."

But given the grim hurricane risk, there's also wisdom in distributing resources among multiple ports available, the experts said.

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