The Benefits of Continued and Expanded Investments in the Port of Venice

David E. Dismukes, Christopher Peters, and Kathryn Perry

LSU CENTER FOR ENERGY STUDIES

www.enrg.lsu.edu/portofvenice

Executive Summary

The Port of Venice is commonly referred to as the "Gateway to the Gulf" and is one of the region's premier oil and gas service bases. Continued investments in the Port will yield significant returns for regional and state economic development.

While Venice's economic future is bright, failure to make adequate dredging investments in Baptiste Collette Bayou, Tiger Pass, and South Pass will weigh like an anchor on the Port's continued growth and expansion, which in turn, will have implications for local and state economic development opportunities.

Venice is the closest, and perhaps best-positioned Louisiana port to service offshore oil and gas activities in the Eastern Gulf of Mexico. Anticipated Eastern GOM drilling and production activities could do for Venice what deepwater oil and gas exploration in the 1990s did for Port Fourchon. Dredging investments in Venice would position Louisiana to have not one (Fourchon), but two world-class offshore oil and gas service ports.

Venice is in close proximity to the prolific offshore producing areas of the Central GOM (New Orleans OCS District), an area responsible for over 50 percent and 45 percent of total federal offshore oil and gas production, respectively.

Venice also services inland water and offshore state production activities in southeastern Louisiana. This region accounts for over $100 million in annual mineral revenues, and since 2003, has contributed over $1.9 billion in state mineral revenues.

Port tenants reported 2008 operating revenues of over $264 million with gross earnings of over $117 million. In 2009, Port tenants expect a decrease in annual operating revenues to $241 million and gross profits of $94 million.

In 2008, Port tenants invested over $117 million in capital improvements and are anticipated to increase those annual investments to $188 million in 2009 despite decreasing oil and gas prices.

Executive Summary

The local economic impacts of Port capital investments range from $103.54 million to $132.62 million over the past two years, while marine vessel investments made by port tenants are estimated to have contributed between $96.20 million to $167.54 million over the last two years to the Louisiana economy.

Annual operations at the Port are estimated to have contributed about $392 million to the local and regional economy over the past two years.

The businesses located at the Port are estimated to have created between 513 and 737 jobs in construction activities over the past two years as well as having stimulated between 540 to 945 Louisiana jobs through their marine vessel investments.

Construction activities at the Port are estimated to have contributed $25.38 million and $36.56 million in wages in 2008 and 2009, respectively. Marine vessel investments are anticipated to have stimulated $29 million and $51 million in wages for the entire state in 2008 and 2009, respectively.

Annual operations at the Port are estimated to support over 870 jobs per year averaging around $45 million in annual wages.

The future outlook for the Port is considerable, provided appropriate dredging investments in Baptiste Collette Bayou, Tiger Pass, and South Pass are made. The Port is well positioned to support ongoing OCS production including some emerging deepwater plays, future Eastern GOM production, and offshore LNG regasification facility development.

Acknowledgements

The Center for Energy Studies appreciates the financial support provided by the Venice Port Coalition, Inc. in support of this research project.

Additional research and survey collection support was provided by Siddhartha Narra, Jordan Gilmore, Elizabeth Dieterich, Johanna Rushing, Jamie Dismukes, and Kolby St. Germain.

Table of Contents

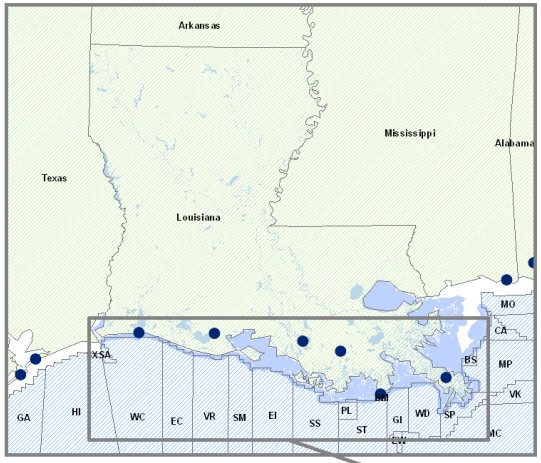
1 Introduction

- An overview of the Port of Venice
- The importance of the Port of Venice to Federal Oil and Gas Production
- The importance of the Port of Venice to State Oil and Gas Production
- Description of the Port of Venice Economy

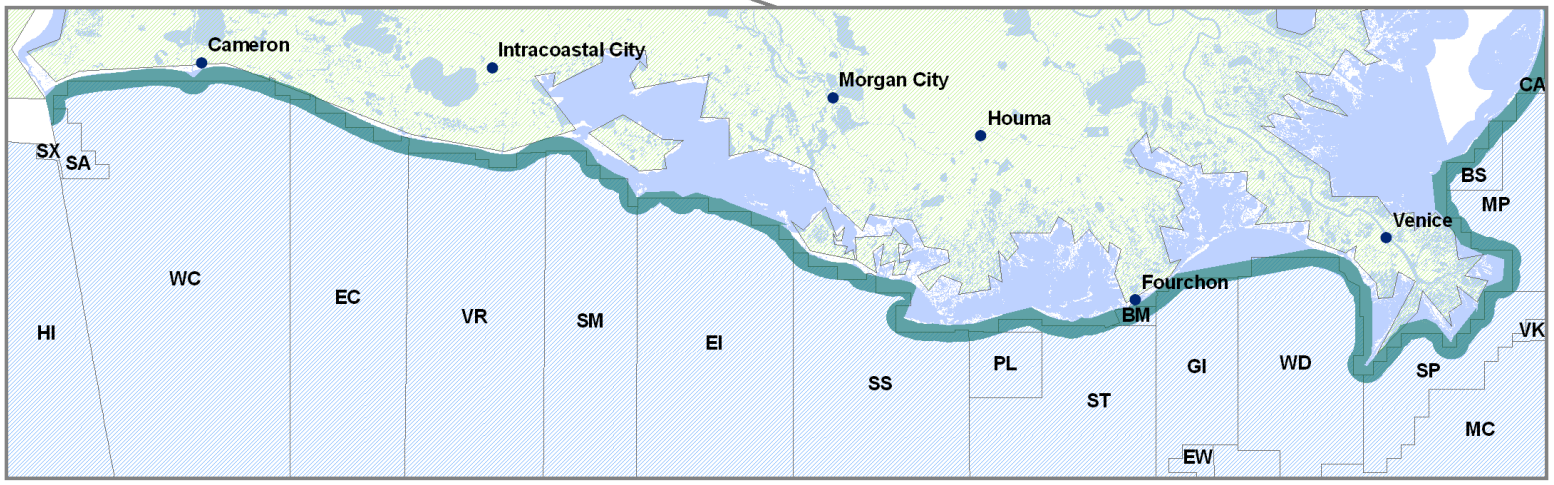
Called the “Gateway to the Gulf”, the Port of Venice is one of the oil and gas industry’s premier energy service bases.

The Port of Venice is a multi-purpose facility that services the offshore oil and gas industry in both federal and state waters. The Port is also home to a large number of commercial and recreational fishing vessels.

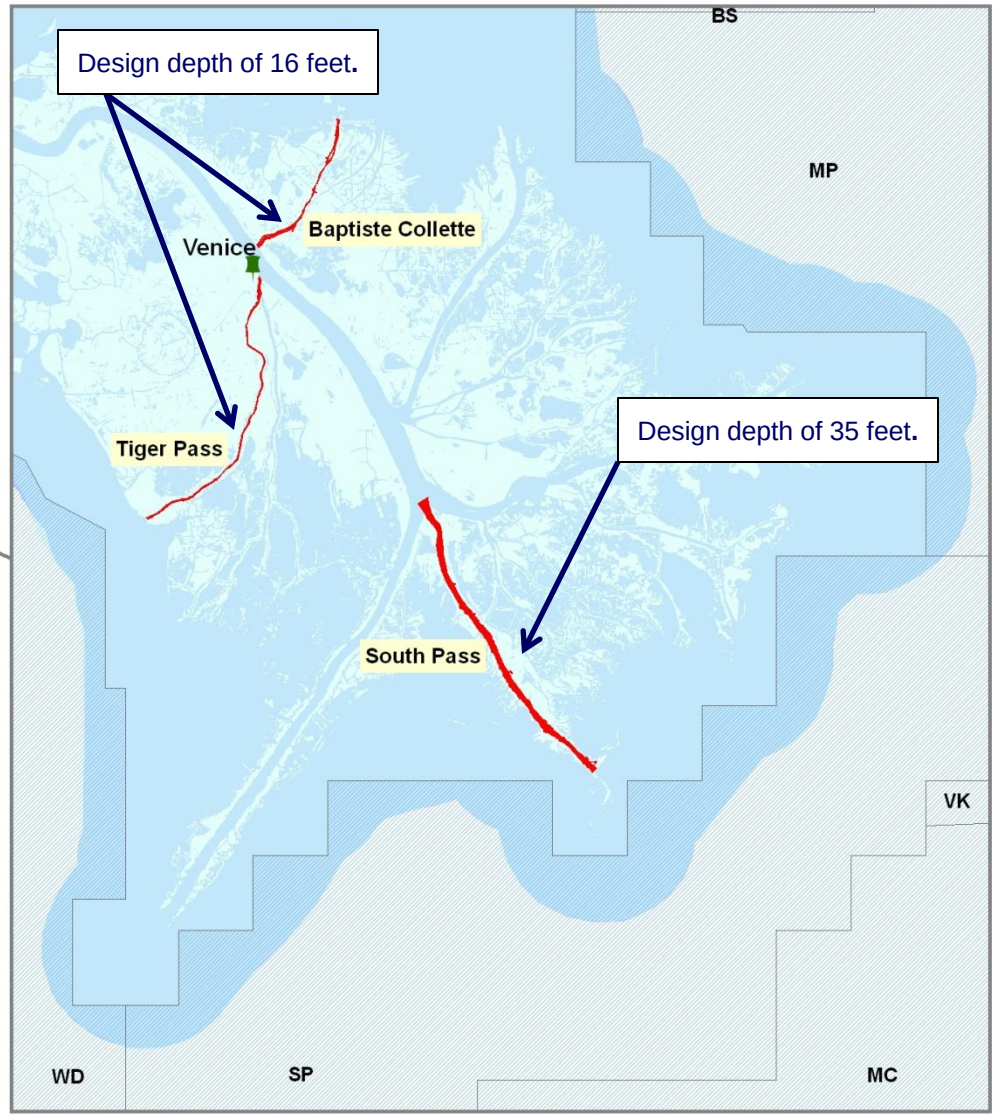
The Port has multiple access channels that include Baptiste Collette Bayou, Tiger Pass, South Pass, as well as the Mississippi River.



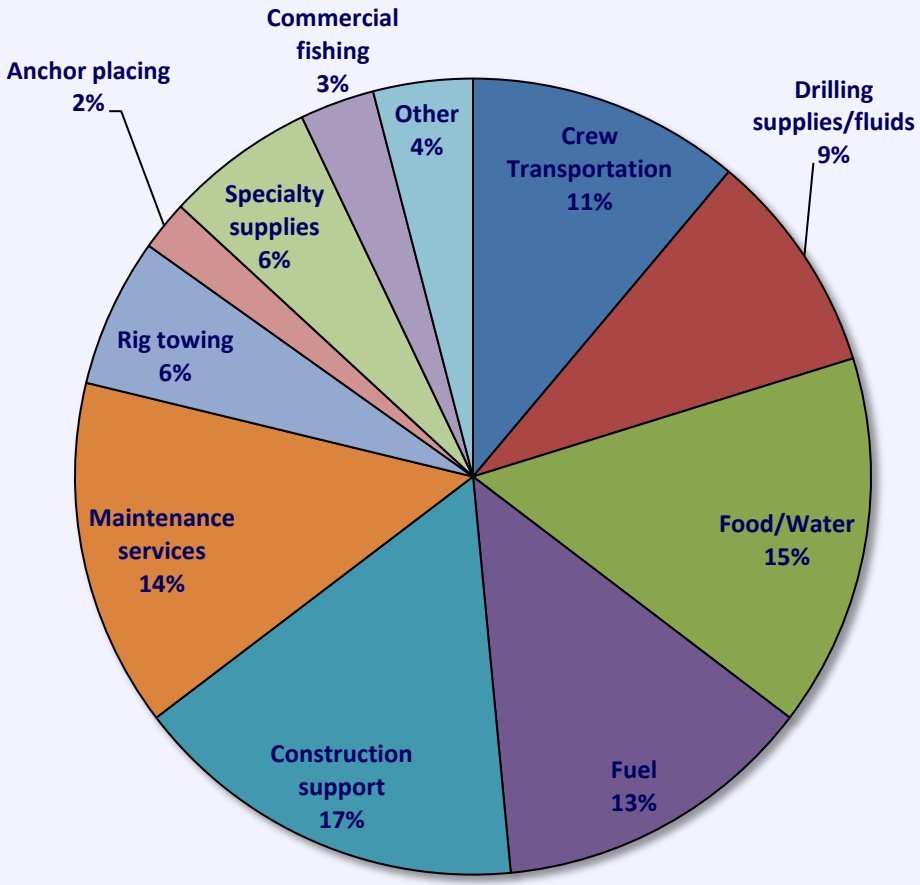
Locations of ports in Louisiana, including the Port of Venice



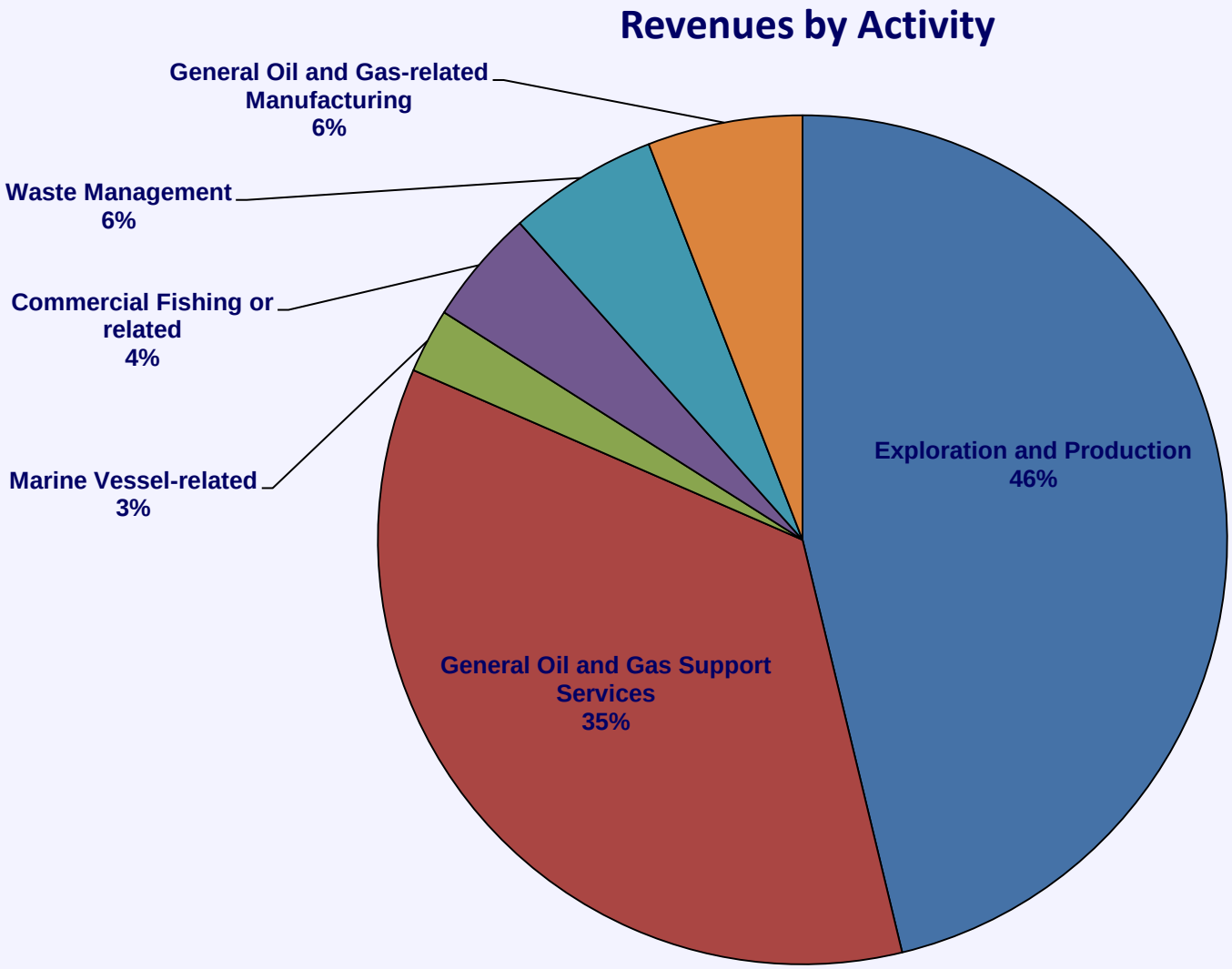
Port of Venice Primary Access Channels



Port of Venice Services



Source: Center for Energy Studies Survey



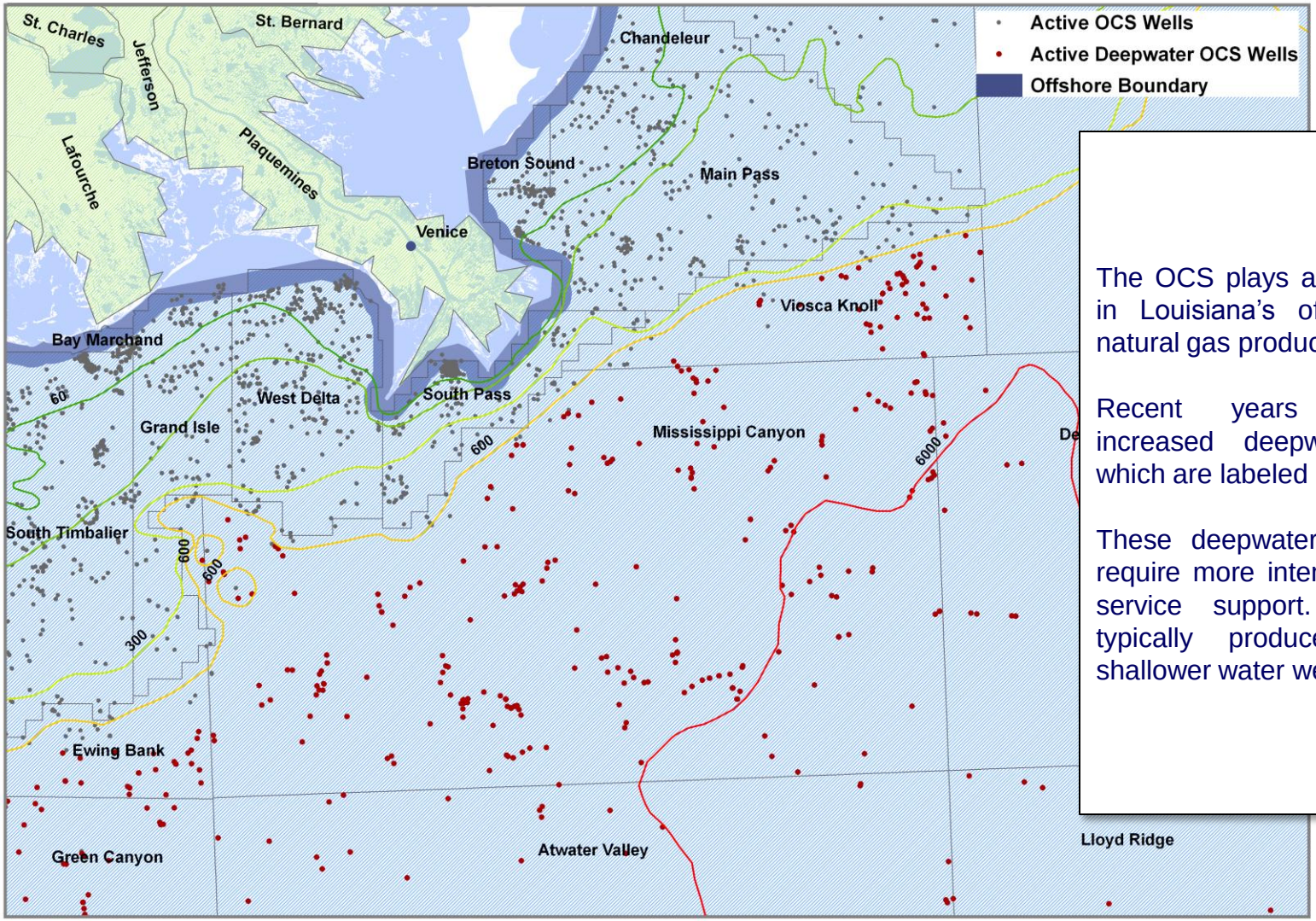
Source: Center for Energy Studies Survey

1 Introduction

- An overview of the Port of Venice
- The importance of the Port of Venice to Federal Oil and Gas Production
- The importance of the Port of Venice to State Oil and Gas Production
- Description of the Port of Venice Economy

The Port of Venice is an important service base for federal oil and gas production within the New Orleans OCS District of the GOM. The Port of Venice is uniquely positioned to take advantage of continued growth in this district as well as new potential eastern GOM production opportunities.

Source: Minerals Management Service, NOAA



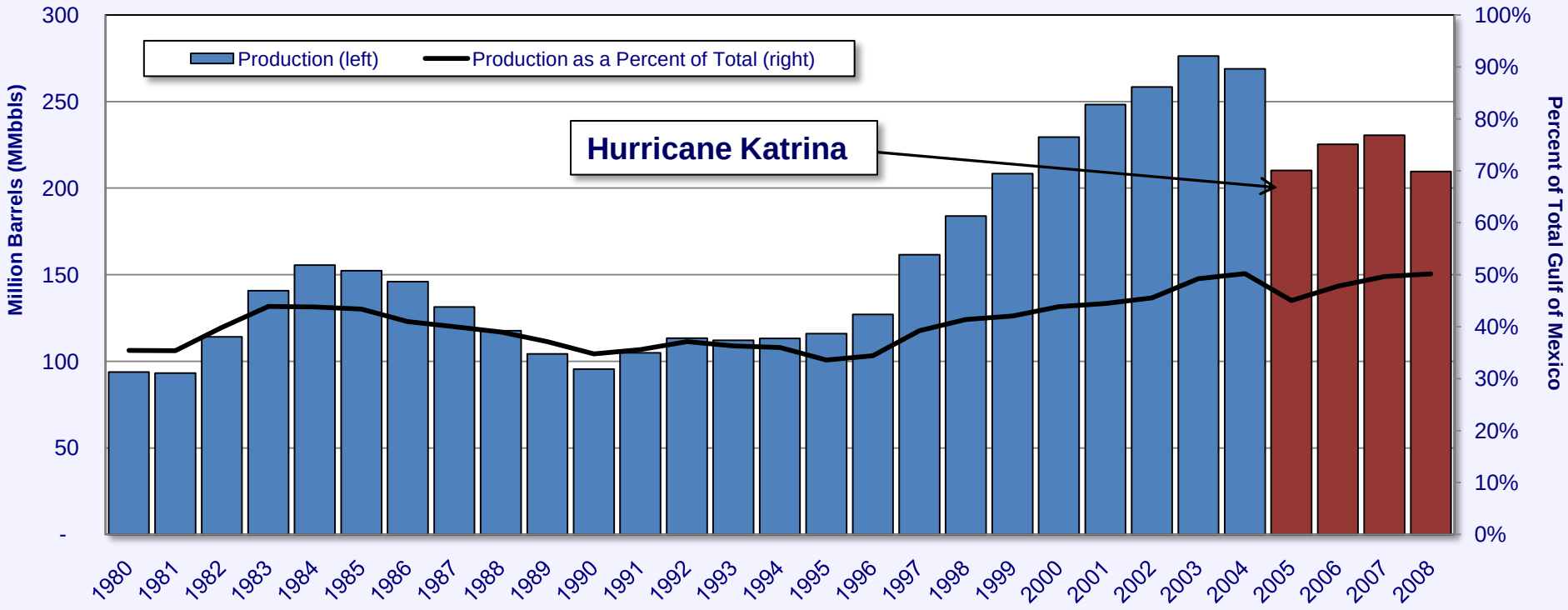
The OCS plays an important role in Louisiana's offshore oil and natural gas production activity.

Recent years have seen increased deepwater activity which are labeled red on the map.

These deepwater wells typically require more intensive and costly service support. They also typically produce more than shallower water wells.

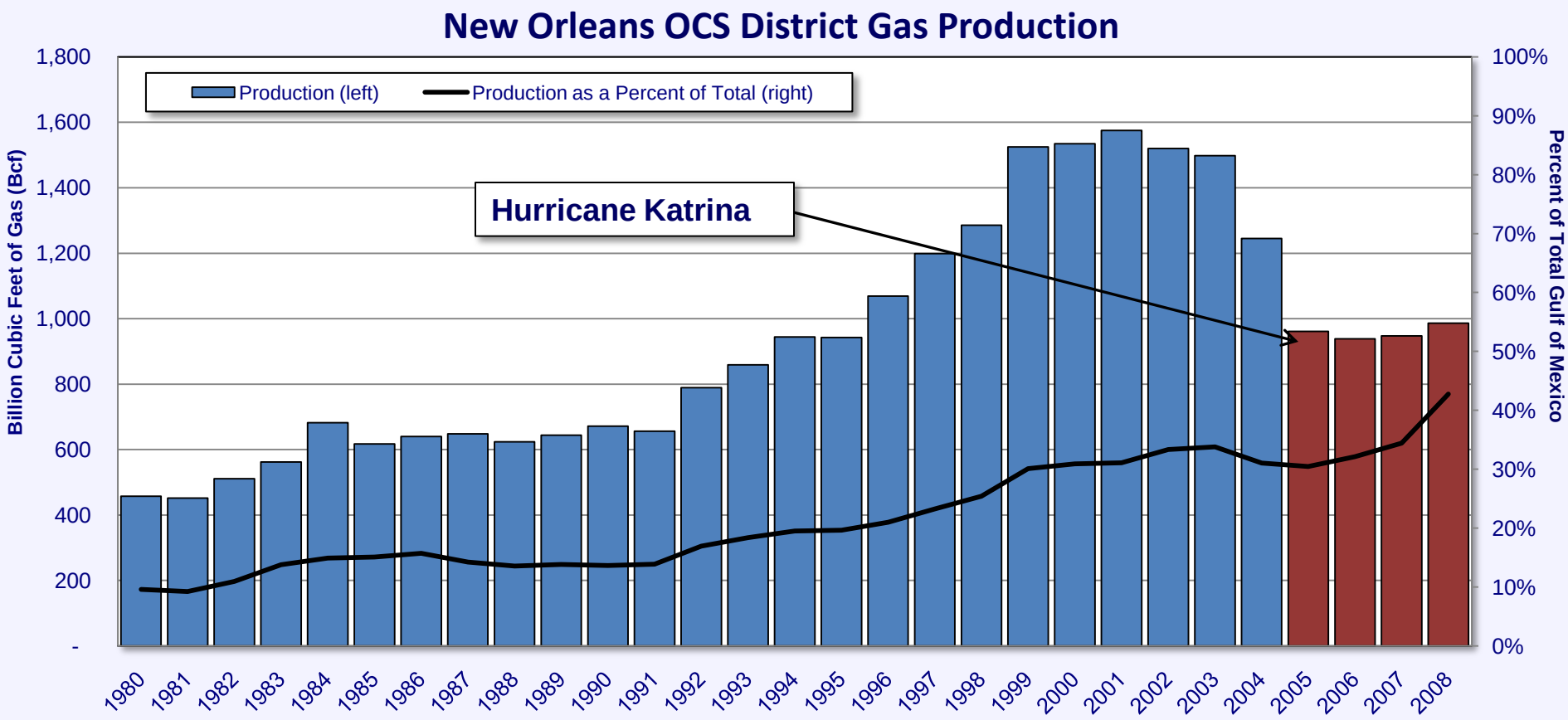
Source: Minerals Management Service

New Orleans OCS District Oil Production



The Port of Venice is an important service base for federal production in the New Orleans OCS District in the GOM. This area is one of the most prolific federal offshore producing areas, with average annual oil production of about 200 million barrels ("MMBbls"). The overall production shares from the federal areas around the Port of Venice have been increasing each year since the mid-1990s and now account for 50 percent of all OCS production that is serviced, or could be serviced, by activities originating at the Port of Venice.

Source: Minerals Management Service

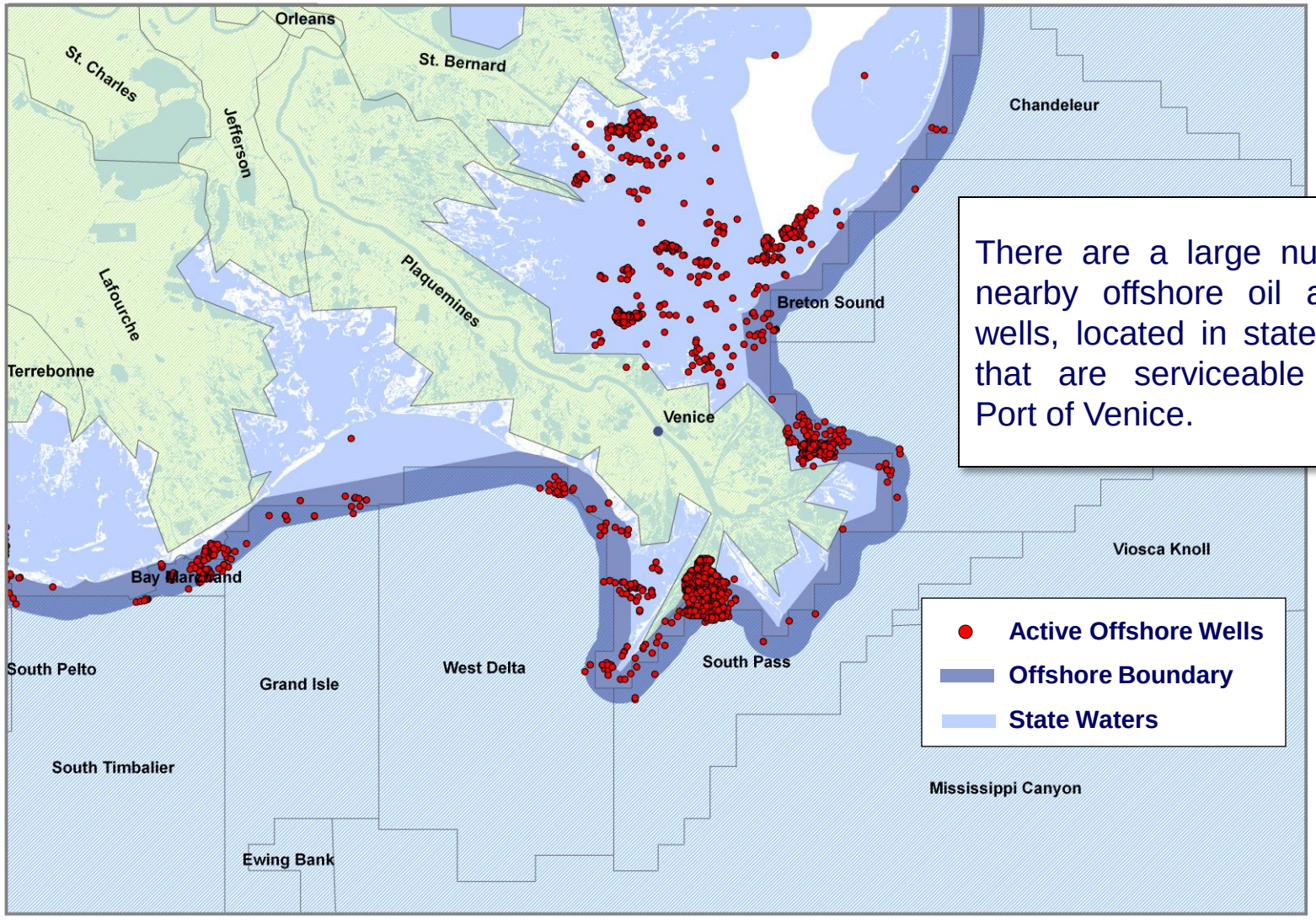


The Port of Venice is also an important service base for supporting oil and gas drilling and production activities in the New Orleans OCS District. Natural gas production from the New Orleans OCS District has been increasing dramatically since the early 1990s. Prior to Hurricane Katrina, this area was producing in excess of 1.2 Tcf per year. Today, this area accounts for 43 percent of all Gulf of Mexico natural gas production.

Source: Minerals Management Service

1 Introduction

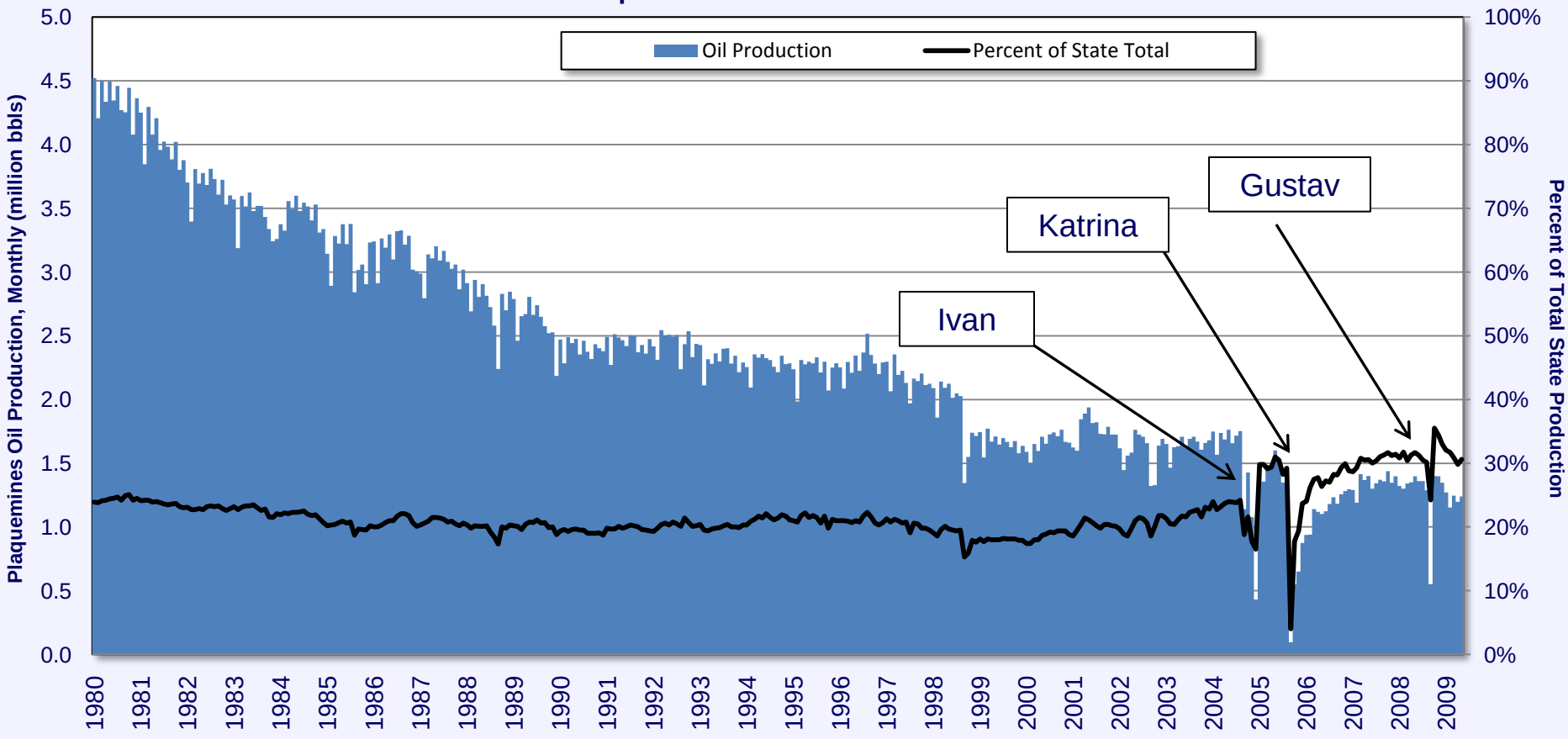
- An overview of the Port of Venice
- The importance of the Port of Venice to Federal Oil and Gas Production
- The importance of the Port of Venice to State Oil and Gas Production
- Description of the Port of Venice Economy



There are a large number of nearby offshore oil and gas wells, located in state waters, that are serviceable by the Port of Venice.

Source: Louisiana Department of Natural Resources

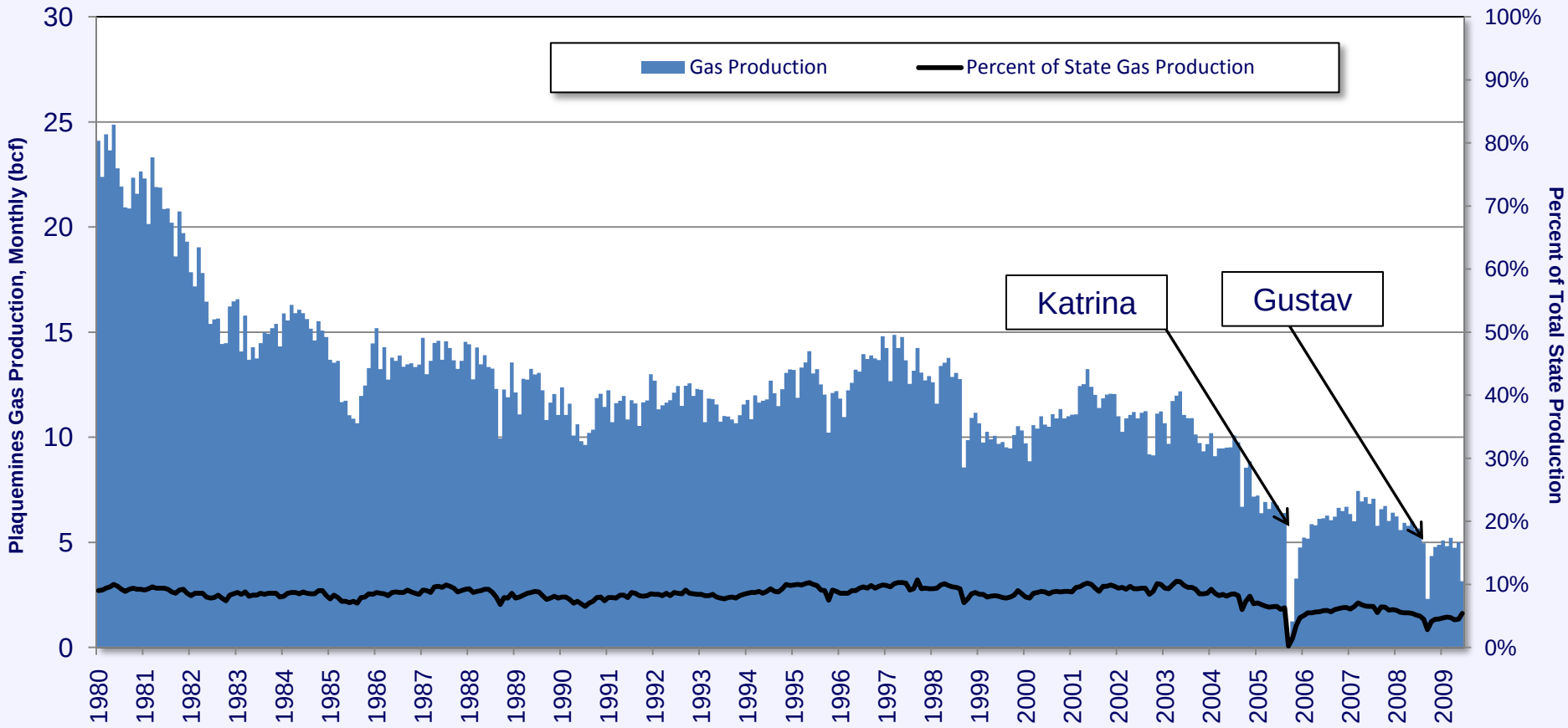
Plaquemines Parish Oil Production



Oil production from state waters surrounding the Port of Venice has been declining, but has remained stable, and even increased, as a share of total state production over the past several years. Prior to Hurricane Katrina, state oil production from nearby areas surrounding the Port of Venice was close to 1.5 MMBbls per month, or 18 MMBbls per year.

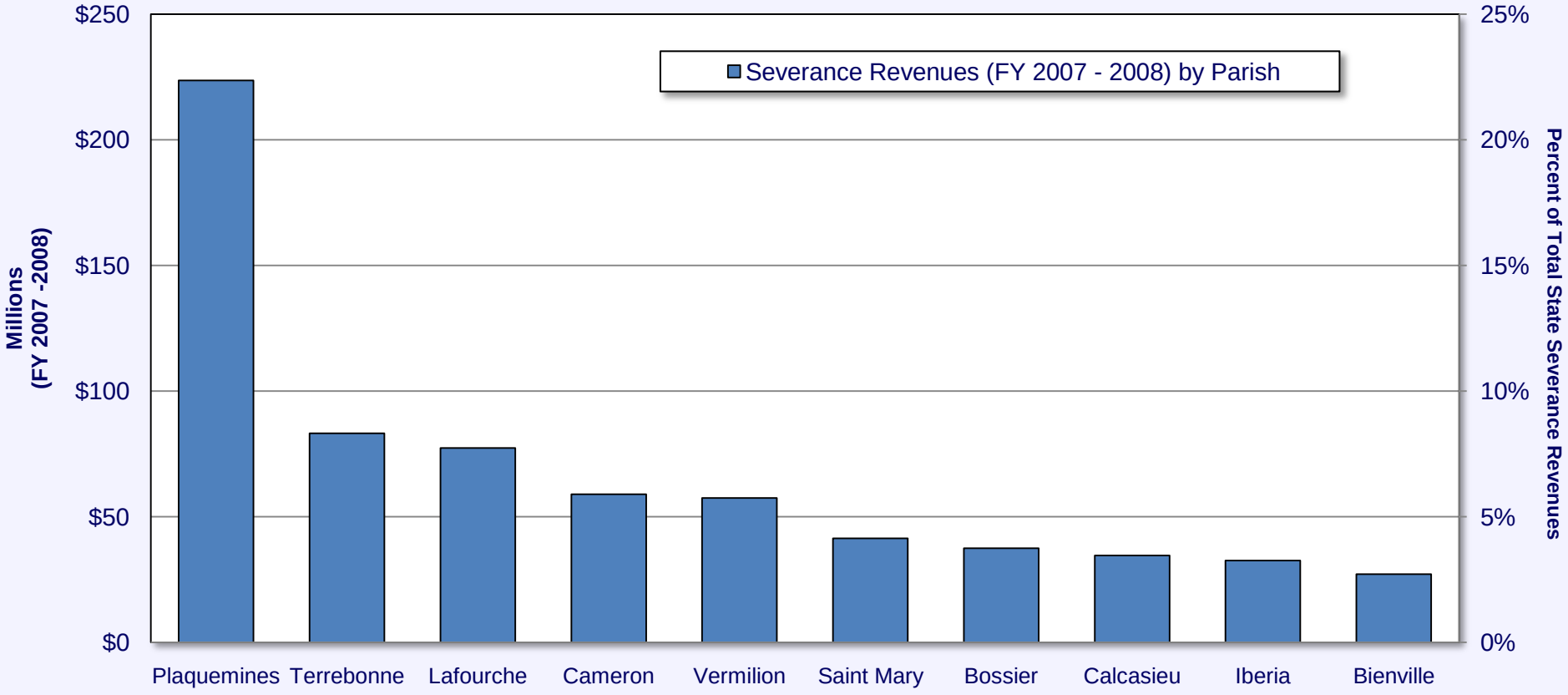
Source: Louisiana Department of Natural Resources

Plaquemines Parish Gas Production



Natural gas production from the region serviceable by the Port of Venice has been declining, however, as a percentage of total state natural gas production. Prior to hurricanes Katrina and Rita, the region was producing over 105 Bcf per year.

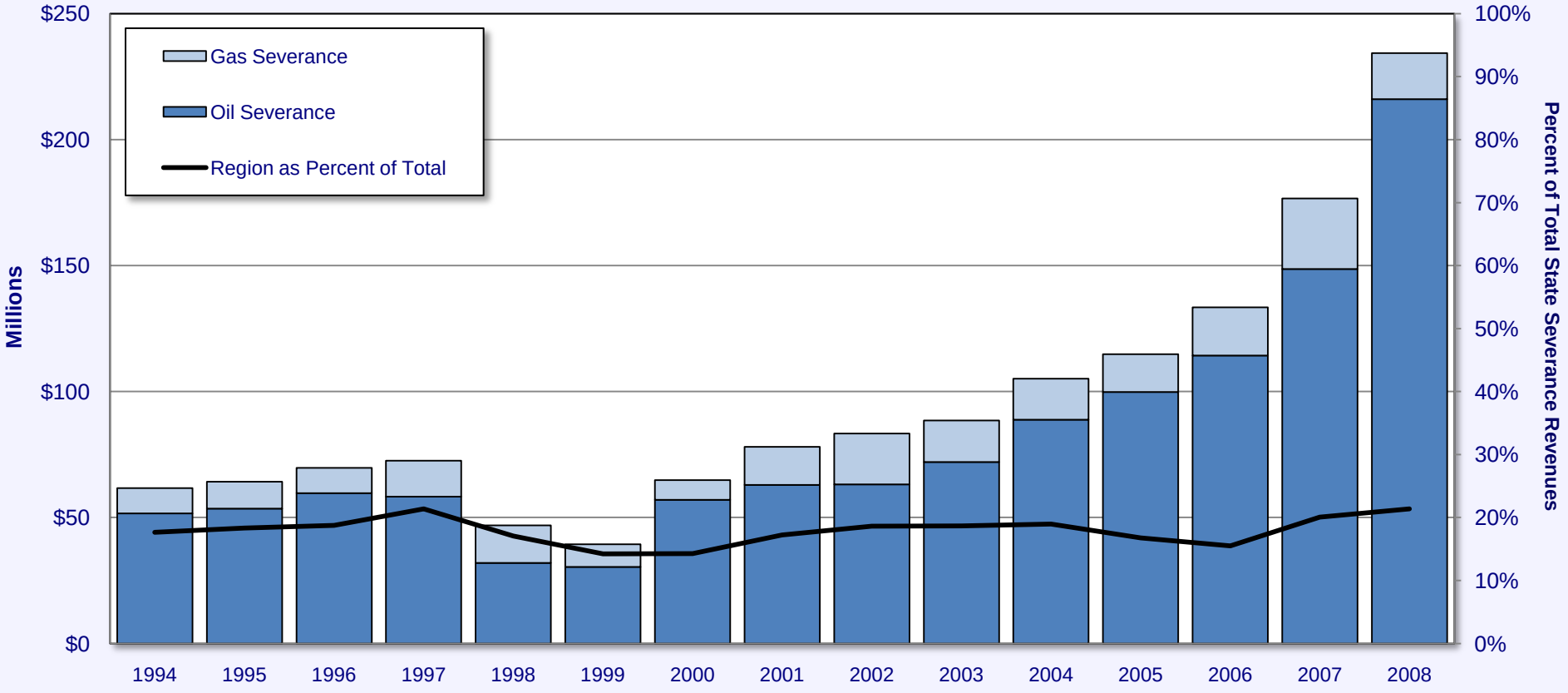
Source: Louisiana Department of Natural Resources



The Port of Venice is a major facilitator of state revenues since regional production that is serviced, or serviceable, by the Port of Venice contributes more in severance revenues than any other parish in the State. The ability of the State to support its overall mineral revenues is a function, in part, of regional production facilitated by the Port of Venice.

Source: Louisiana Department of Natural Resources, Louisiana Department of Revenue
Note: Severance contribution is total for oil and gas from July 2007 through June 2008.

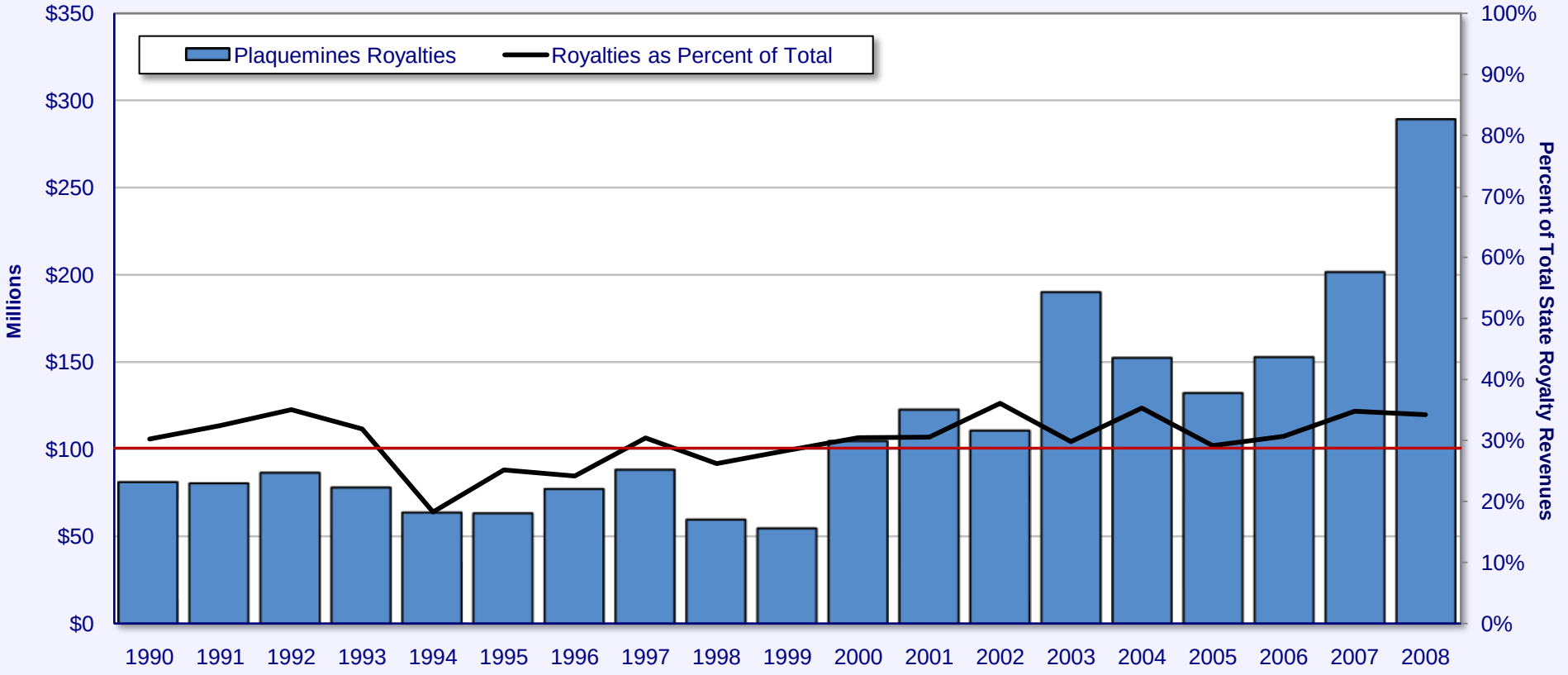
Regional Severance Revenues from State Production



Regional severance revenues generated by production near the Port of Venice have grown dramatically over the past ten years. Since 2006, regional severance revenues from this area of the state have averaged over $100 million per year and account for roughly 20 percent of state totals. The Port of Venice plays an important role facilitating state severance revenue growth.

Source: Louisiana Department of Natural Resources, Louisiana Department of Revenue

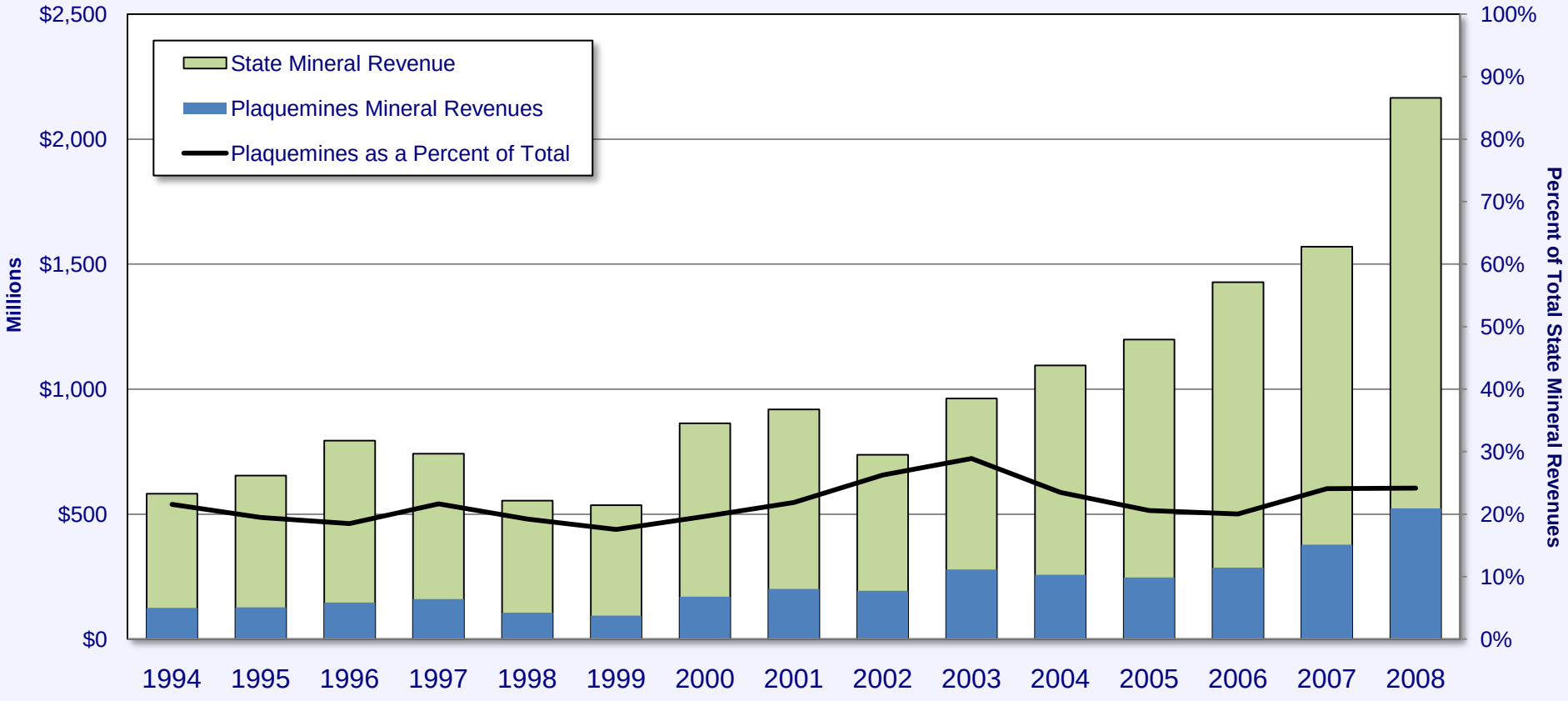
Regional Royalty Revenues from State Production



Regional state oil and gas production supported in large part by the Port of Venice makes a large contribution to state royalty revenues. The region has contributed over $100 million per year since 2000, or over one- third of all annual state royalty revenues. This production is an important source of state revenue that is supported by Port of Venice activities.

Source: Louisiana Department of Natural Resources, Louisiana Department of Revenue

Plaquemines Parish Total Mineral Revenues versus Total State of Louisiana Mineral Revenues



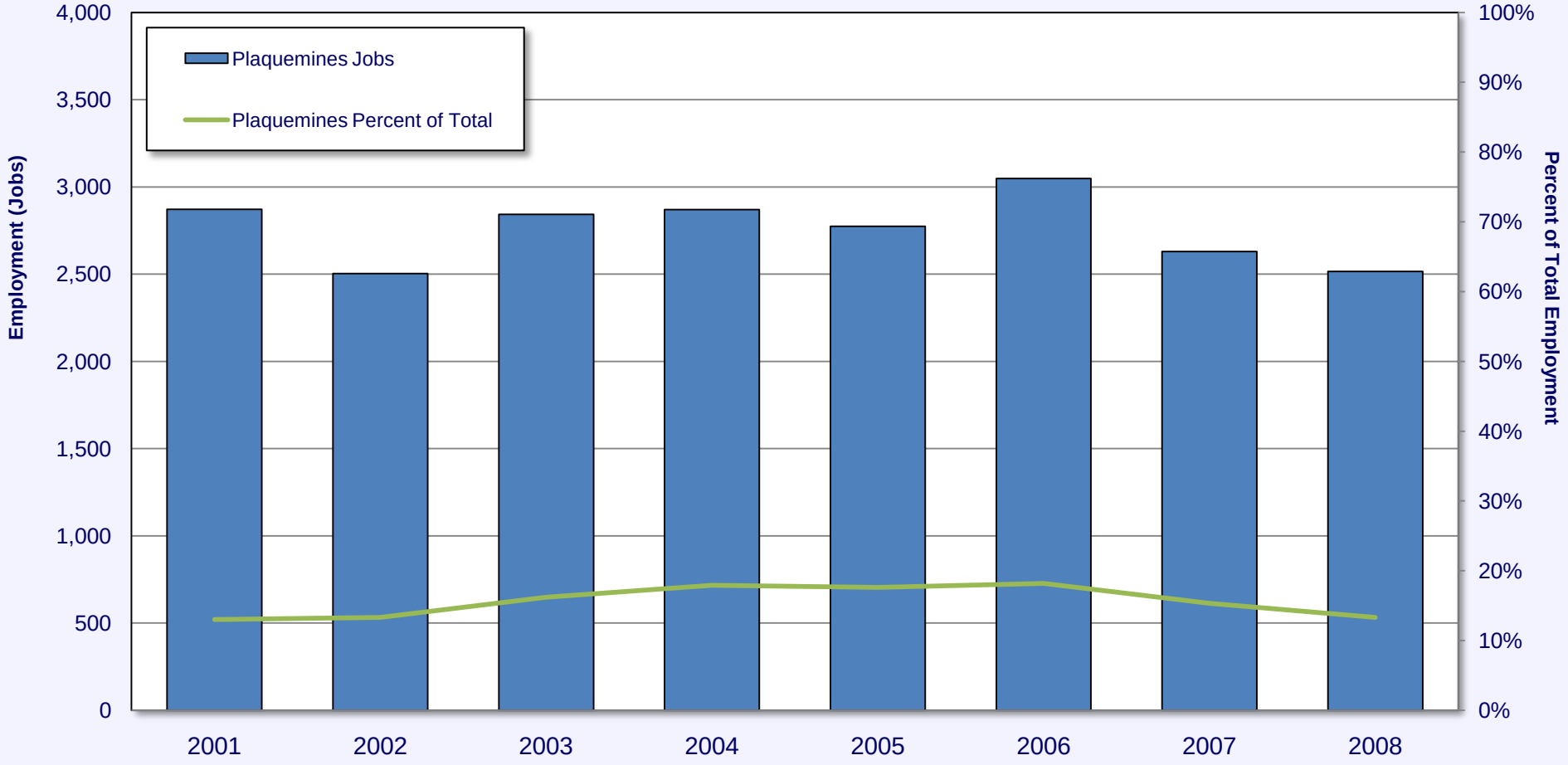
Regional oil and gas production generated from areas surrounding the Port of Venice is an important source of wealth and revenue creation for Louisiana. In 2008, oil and gas production from these areas, serviced in large part by the Port, contributed over one-half of a billion dollars in state revenues. Since 2003, regional production has contributed more than $1.9 billion dollars in state mineral revenues – more than any other parish in the State. Thus, investments made in the Port of Venice are akin to making investments in state revenue growth.

Source: Louisiana Department of Natural Resources, Louisiana Department of Revenue

1 Introduction

- An overview of the Port of Venice
- The importance of the Port of Venice to Federal Oil and Gas Production
- The importance of the Port of Venice to State Oil and Gas Production
- Description of the Port of Venice Economy

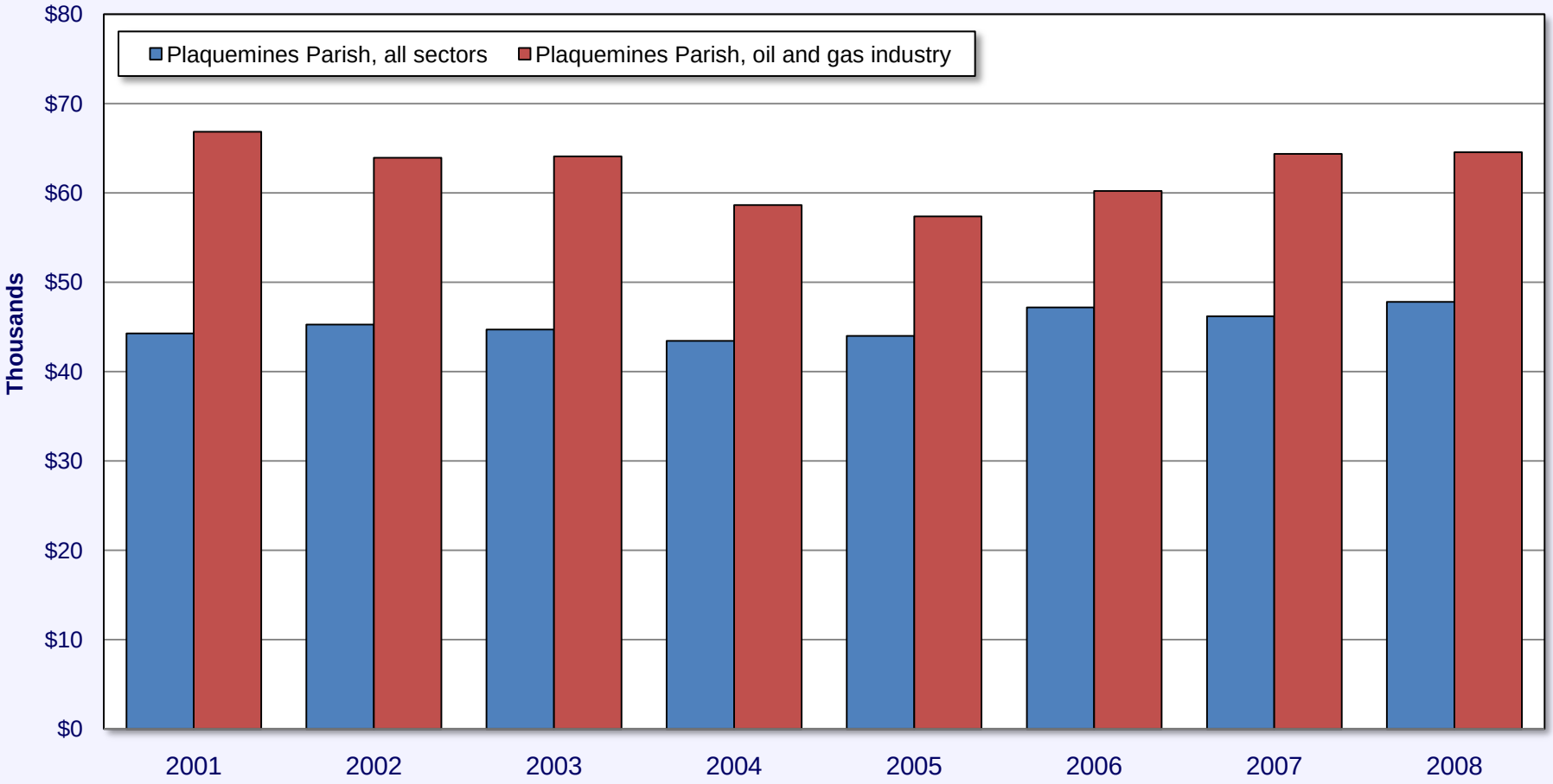
Plaquemines Oil and Gas Extraction and Support Employment



Regional oil and gas employment is comprised of an annual average of about 2,500 high paying jobs, and accounts for about 16 percent of the total oil and gas extraction and support-related employment in the state. The Port of Venice directly supports many of these oil and gas jobs.

Source: Bureau of Labor Statistics

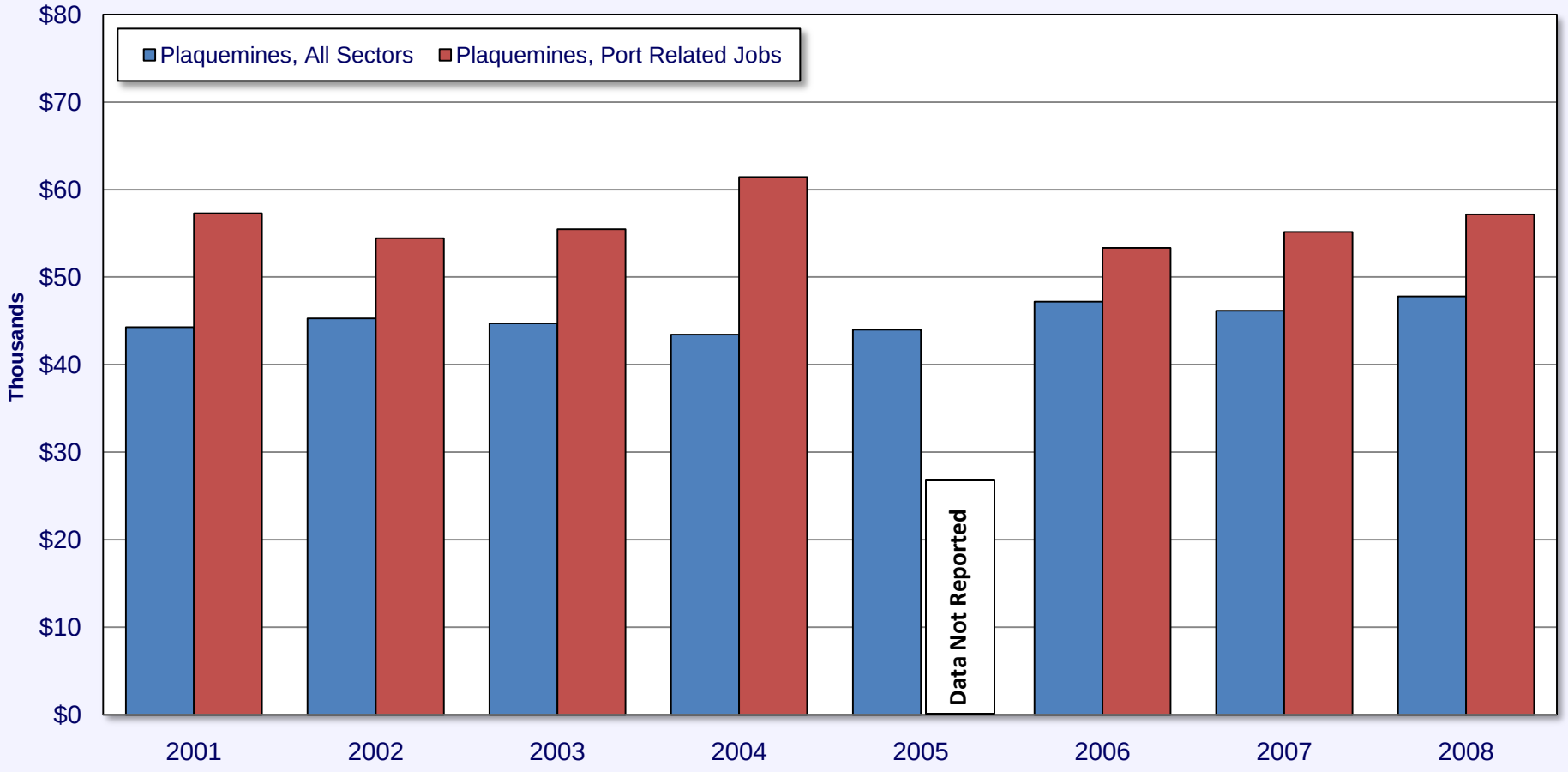
Average Annual Wages



Oil and gas employment that is supported by the Port of Venice is a significant contributor to regional household wealth. Oil and gas jobs supported by the Port of Venice pay considerably higher-than-average wages.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis

Average Yearly Wages, All sectors compared to Port Related Industries



Port-related jobs are also high paying relative to the regional economy. Continued expansion of the Port of Venice will help facilitate the creation of a greater number of these high-paying positions.

Source: Bureau of Labor Statistics, Bureau of Economic Analysis

2 Economic Impact Study Methodology

- Overview
- Survey data and analysis
- Ship tracking data and analysis
- Economic impact modeling and analysis

The purpose of this study is to estimate the benefits of the Port of Venice.

The benefits were estimated using three approaches:

1. **Survey data and analysis**

   The Center for Energy Studies developed and administered a survey to collect data from companies located at, or associated with the Port. Direct mail was initially used with subsequent follow up through telephone and electronic mail.

2. **Ship tracking data and analysis**

   A real-time ship tracking software tool was used to track and collect data on marine traffic associated with the Port.

3. **Economic impact modeling and analysis**

   Survey data, along with vessel-tracking information was used to estimate direct impacts associated with the Port. Missing information was estimated from survey data to develop a complete picture of Port economic activities.

   An economic input / output model was used to model and predict the current and future economic benefits of the Port.

The Center for Energy Studies developed and executed a survey to collect data on twenty four different economic and operational factors, including, but not limited to:

- Gross Revenues
- Operating Expenses
- Annual Capital Investment
- Total Number of Employees

The Center for Energy Studies also collaborated with Port authorities, industry, and tenants that are either located at the port, or who utilize the Port on a regular basis. This collaboration yielded a diverse and comprehensive view of Port activity.

The survey was sent to 130 entities that were either tenants or users of the Port of Venice, with a 25 percent overall response rate and a response rate of 40 percent from tenants.

The Center for Energy Studies utilized a commercial ship tracking system and database (ShipTracks) on a real-time basis.

ShipTracks is a computer-based electronic charting and tracking system used to manage marine traffic and private assets on a global basis. The tracking system is measured in real-time and is based on transmissions sent every few seconds from the on-board AIS (automatic identification system) hardware, a safety and security requirement for commercial vessels over 300 gross tons operating in the U.S. The ShipTracks network of AIS receivers collects and displays over 20,000 vessel reports per minute allowing real-time and historic views of marine traffic.

The Center conducted repeated samples of this real-time information in order to estimate vessel traffic patterns going to, from, and through the Port. This process included close examination of originating and terminating trip destinations.

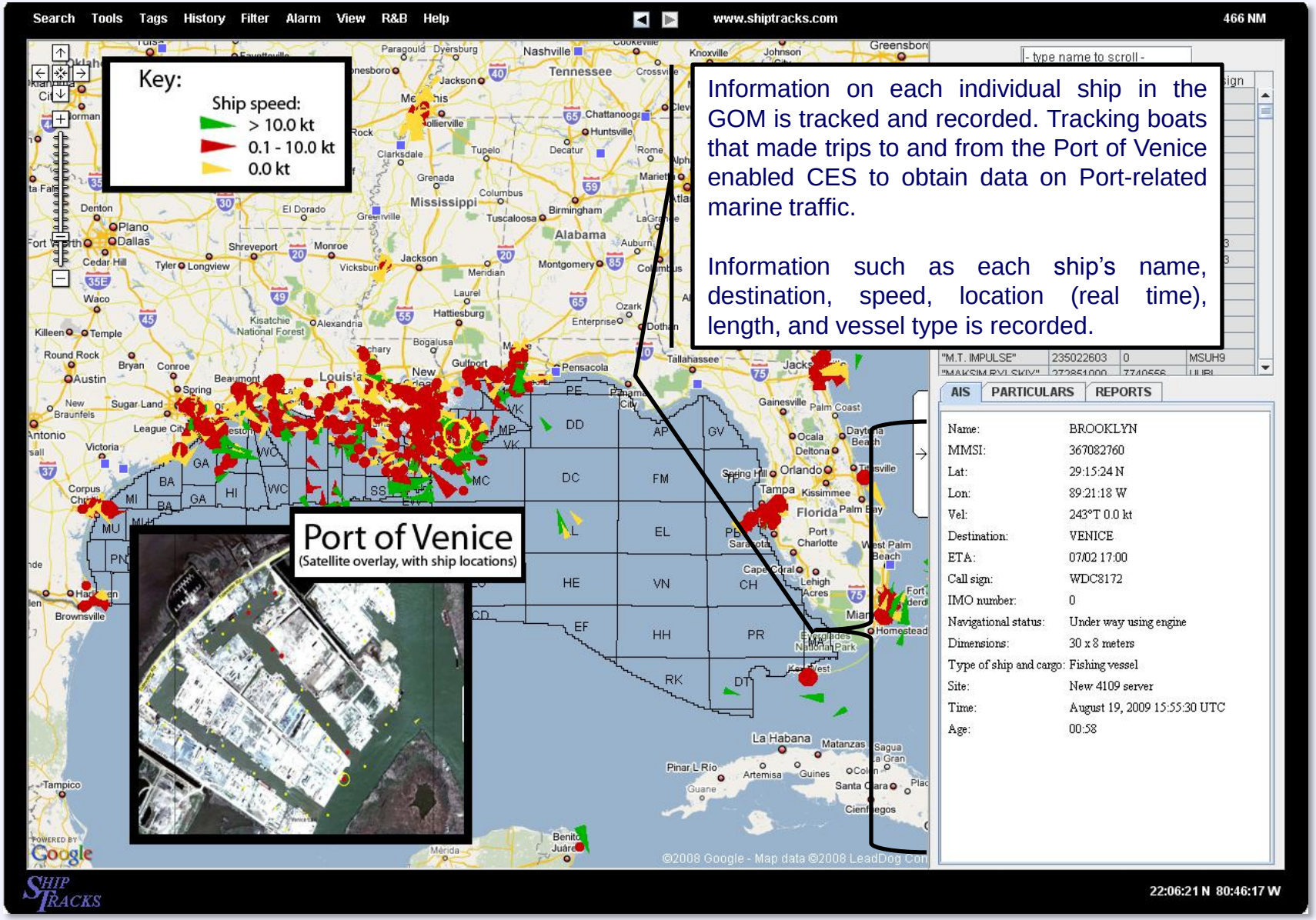
Source: ShipTracks, LLC

ShipTracks collects data in real-time on numerous variables associated with marine vessels in the Gulf of Mexico. Including: vessel name; location (latitude and longitude); velocity; destination; call sign; type of ship and cargo; length; breadth; and gross tonnage.

The Center for Energy Studies used ShipTracks to record information on vessels traveling to and from the Port. State water and deep water locations approximating the MMS's New Orleans Federal OCS District were tracked for marine vessel traffic.

Measuring marine vessel traffic data, in conjunction with prevailing offshore service vessel day rates, enabled CES to quantify vessel movements into, out of, and through the Port. This analysis also included an examination of originating and terminating locations for various marine vessel trips to oil and gas production structures in both state and federal waters.

Snapshot: August 19, 2009 10:55:30 AM CST



The Center also quantified the economic benefits of the Port utilizing traditional input / output modeling approaches. The direct impacts were decomposed into two parts:

1. The actual and anticipated capital (infrastructure) investments by the Port and its tenants. These infrastructure investments are in the form of:
    - Capital improvement investments (e.g. buildings, slip improvements, loading equipment, etc.).
    - Marine vessel investments.
2. The actual and anticipated operating expenditures made by Port tenants in their day-to-day business activities.

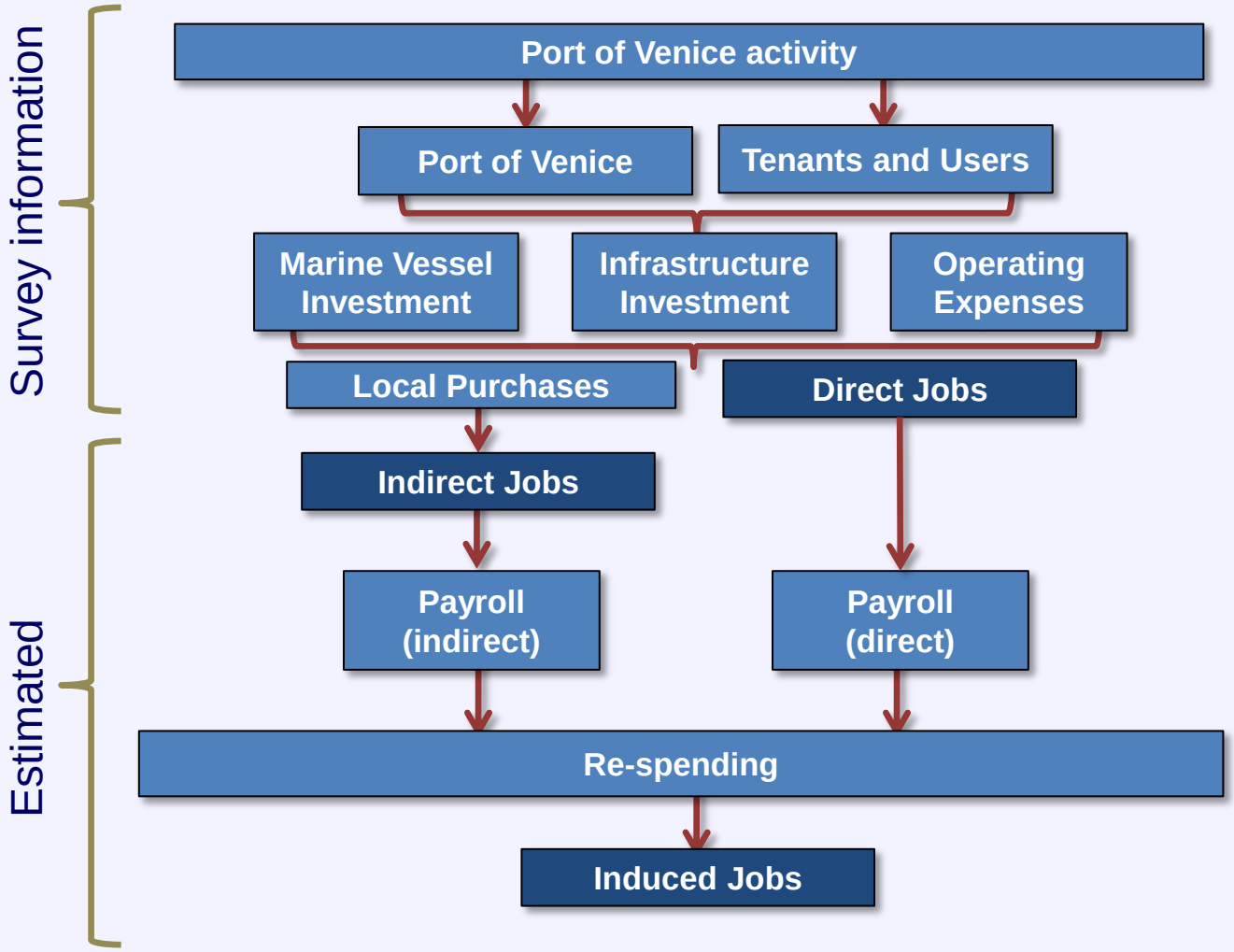
These direct impacts were coupled with CES-developed Louisiana-specific energy drivers, to estimate total and sector specific direct, indirect, and induced impacts.

Economic impacts were estimated for both the State and local economy. Survey results identifying infrastructure investments, marine vessel investment, and annual operating expenses were utilized as drivers or "direct" impacts.

An economic impact, such as a port infrastructure investment, reverberates throughout a local economy. Direct impacts create positive indirect impacts in secondary businesses supporting Port or Port-related activities. These business activities create an additional round of induced economic activity that arise from the expenditure of salaries created by the direct and indirect jobs. Combined, these indirect and induced impacts are referred to as "multiplier effects" within a given economy. A diagram of these relationships is provided on the following page.

Economic impacts created by the Port were estimated for output, employment, and wages.

All data was standardized (adjusted for inflation) to 2009 dollars.


Survey information
Estimated
Port of Venice activity
Port of Venice
Tenants and Users
Marine Vessel Investment
Infrastructure Investment
Operating Expenses
Local Purchases
Direct Jobs
Indirect Jobs
Payroll (indirect)
Payroll (direct)
Re-spending
Induced Jobs

3 Survey Analysis and Results

- Survey respondents
- The importance of dredging primary access channels to the Port
- Employees and locations
- The big picture

- Survey mailed to 130 Venice-area contacts.
- General business, vessel trip, and services questions asked.
- Follow-up calls and emails.
- 39 surveys received (30 percent of total surveys).
- Response rate was 58 percent for on-site tenants (19 of 33).

Survey Respondents

Baker Hughes Drilling Fluids	Laborde Marine, LLC.
Bonvillian Marine	Loop, LLC.
BP America	Louisiana Oilfield Divers
Century Exploration	Madere & Sons Towing
Chevron	Martin-Marks Operating Co.
Comar Mainre Corp.	McMoran Oil and Gas
Cox Operating, LLC	Medco
Cvitanovic Boat Services	Newman Crane Services
Cypress Cove Marina	Newpark Environmental Services
D&C Seafood Inc.	Offshore Cleaning Systems
Daybrook Fisheries	OMNI Energy Services
Denet Towing	Premier Industries
Environmental Operators	Production Management Industries
Fab-Con, Inc.	Rene Cross Construction
Grand Isle Shipyard	Sharko Seafood
Halliburton	Stone Energy
Harvest Oil and Gas, Inc.	Tanks a Lot
John W. Stone Oil Distributors	Tetra Oil and Gas Service
L&L Oil and Gas Service	US Liquids of LA
	Whitetail Oilfield Services, LLC

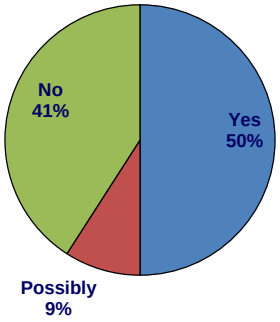
Source: Center for Energy Studies Survey

All survey participants were asked:

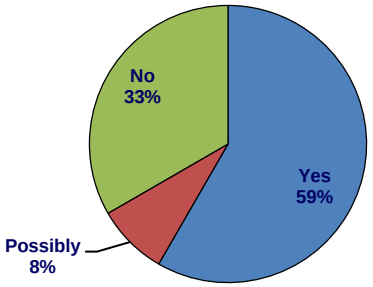
"Would the Port of Venice become your primary facility (if it is not already) with improved and annual dredging of:

Baptiste Collette Bayou?"

All survey participant responses:



Tenant survey participant responses:

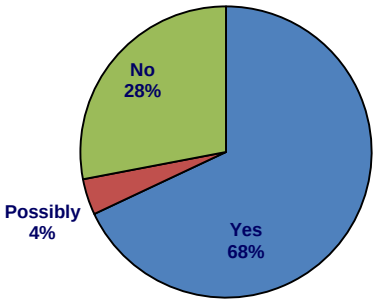


All survey participants were also asked:

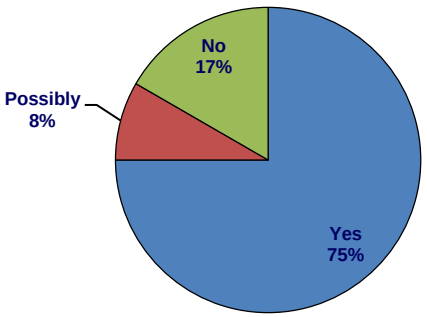
"Would the Port of Venice become your primary facility (if it is not already) with improved and annual dredging of:

Baptiste Collette Bayou and Tiger and South Pass, combined?"

All survey participant responses:



Tenant survey participant responses:



Port usage and economic activity is highly related to its accessibility.

The Port of Venice is primarily accessed by the Mississippi River and a number of channels connected to the river. It is this optionality that is highly valued by current and prospective tenants.

The response to this survey question indicates a strong likelihood of increased economic activity should all channels be dredged in the future. In other words, there is high perceived economic value from the optionality created from dredging all three channels.

Source: Center for Energy Studies Survey

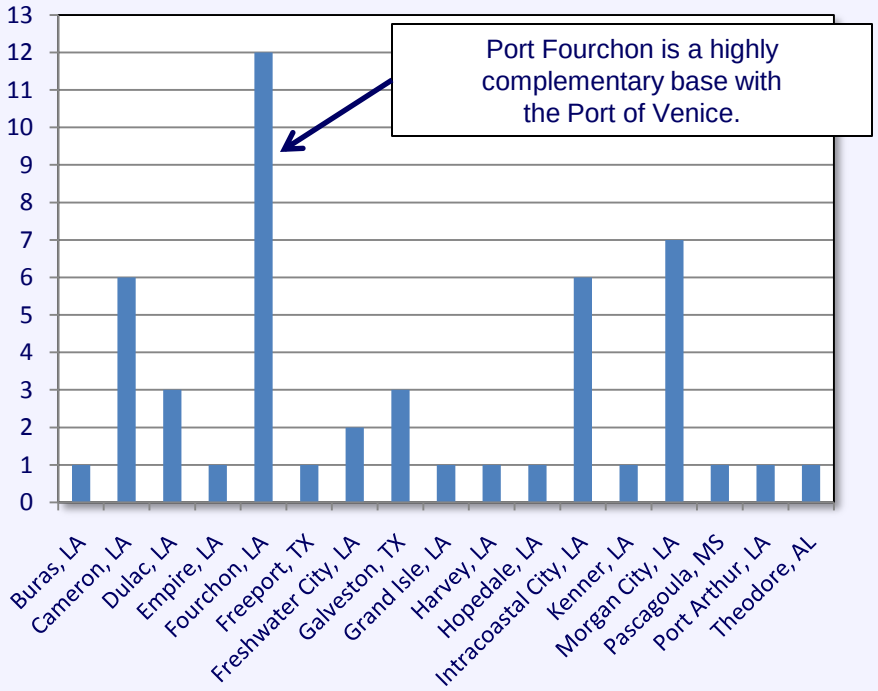
Many Port of Venice businesses are branch locations of larger companies.

The most common GOM port locations used by parent companies, not including the Port of Venice, are Port Fourchon, Morgan City, Cameron, and Intracoastal City, LA

Is Venice your primary or secondary facility?	
Primary	11
Secondary	16
Neither Port user nor tenant	5

Premier Industries

Other Gulf of Mexico Port Facilities Leased



Source: Center for Energy Studies Survey

2008 was an exceptionally successful year for the Port of Venice. Total operating revenues for tenants of the Port were close to $265 million, with an implied gross earnings of $117.75 million.

Survey respondents anticipate a decrease in both annual operating revenues and earnings in 2009 due to recent declines in oil and gas commodity prices.

Interestingly, survey respondents continue to have a positive long-run outlook for the Port of Venice by indicating a 60 percent increase in anticipated capital investments in 2009.

Survey respondents expect to increase their Port investments from a 2008 level of $52.32 million to a 2009 level of $75.36 million – an increase of $23.04 million.

Survey respondents also expect to increase their marine vessel investments from a 2008 level of $65.04 million to a 2009 level of $112.79 million – an increase of $47.75 million.

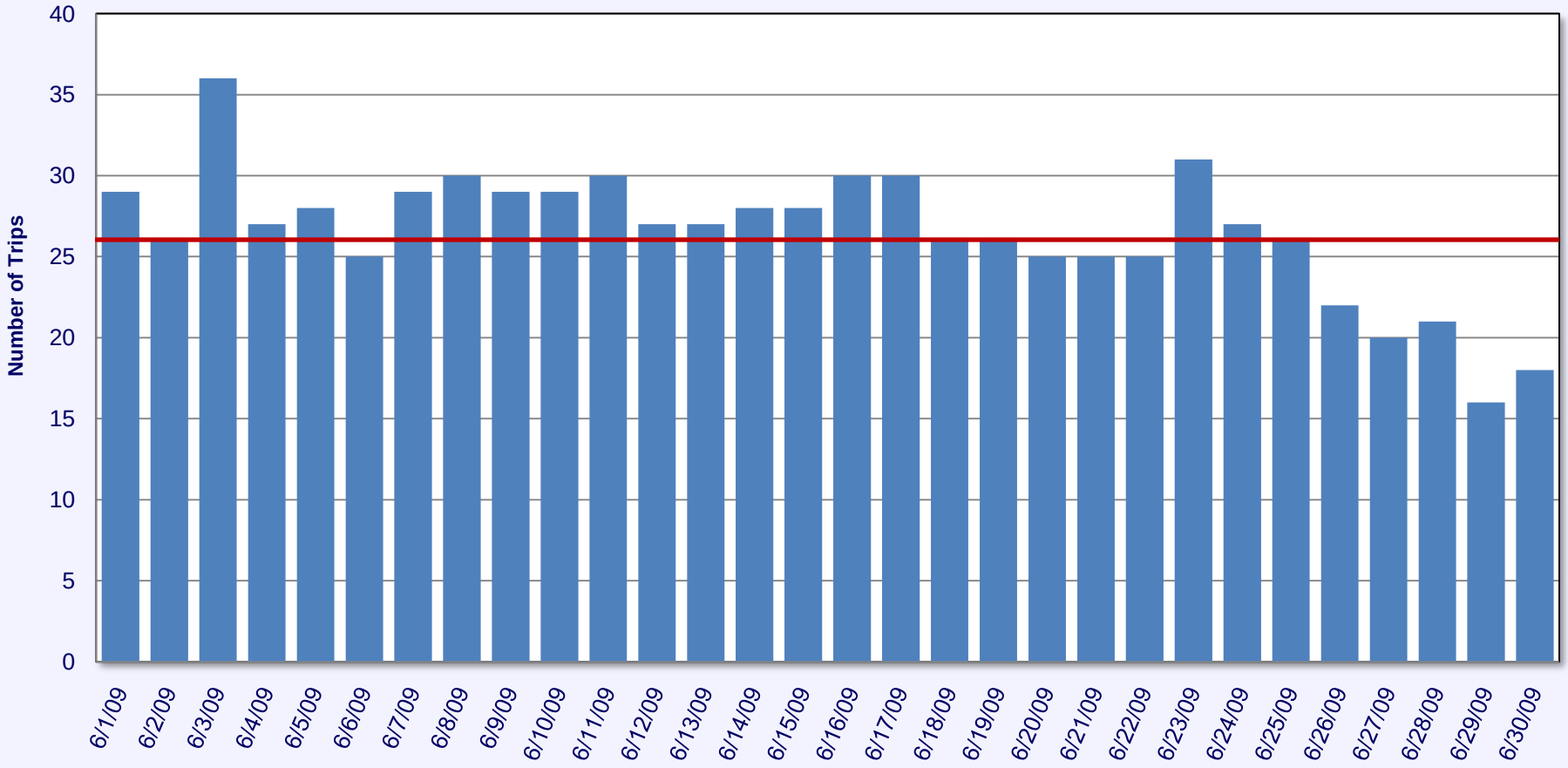
Item	Venice Total ($ millions)
2008	
Gross revenues	**$264.46**
Operating expenses	**$146.71**
Port infrastructure investment	$52.32
Marine vessel investment	$65.04
Total Capital investment	**$117.36**
2009	
Gross revenues	**$241.93**
Operating expenses	**$146.61**
Port infrastructure investment	$75.36
Marine vessel investment	$112.79
Total Capital investment	**$188.15**

Source: Center for Energy Studies Survey

4 Ship Analysis and Results

- Number of trips
- Trips by vessel type
- Trips by registered port
- Areas traveled to by vessels using the Port of Venice

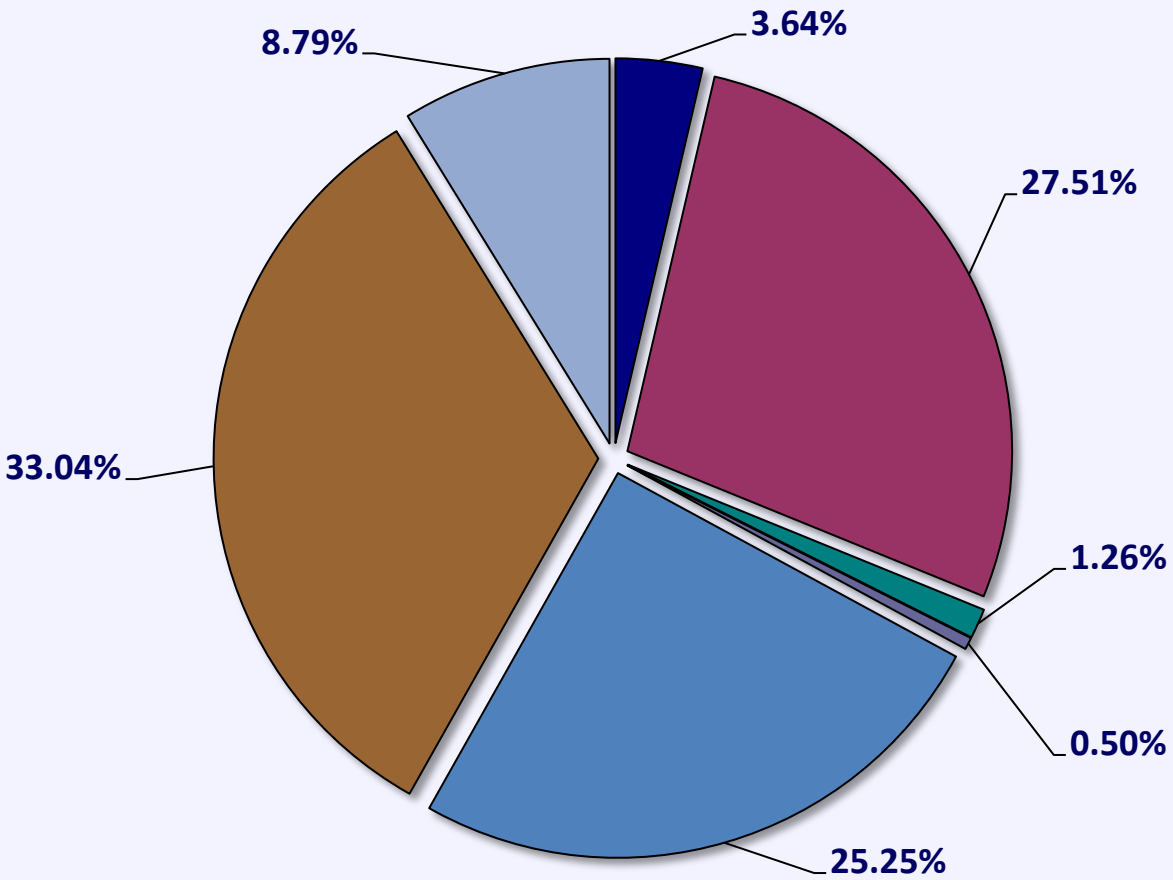
The Daily Number of Vessel Trips into and out of the Port of Venice by Day



The Port of Venice averaged slightly higher than 26 vessel trips into and/or out of the port during the month of June 2009.

Source: estimated from ShipTracks, Center for Energy Studies

Estimated Monthly Vessel Traffic Distribution



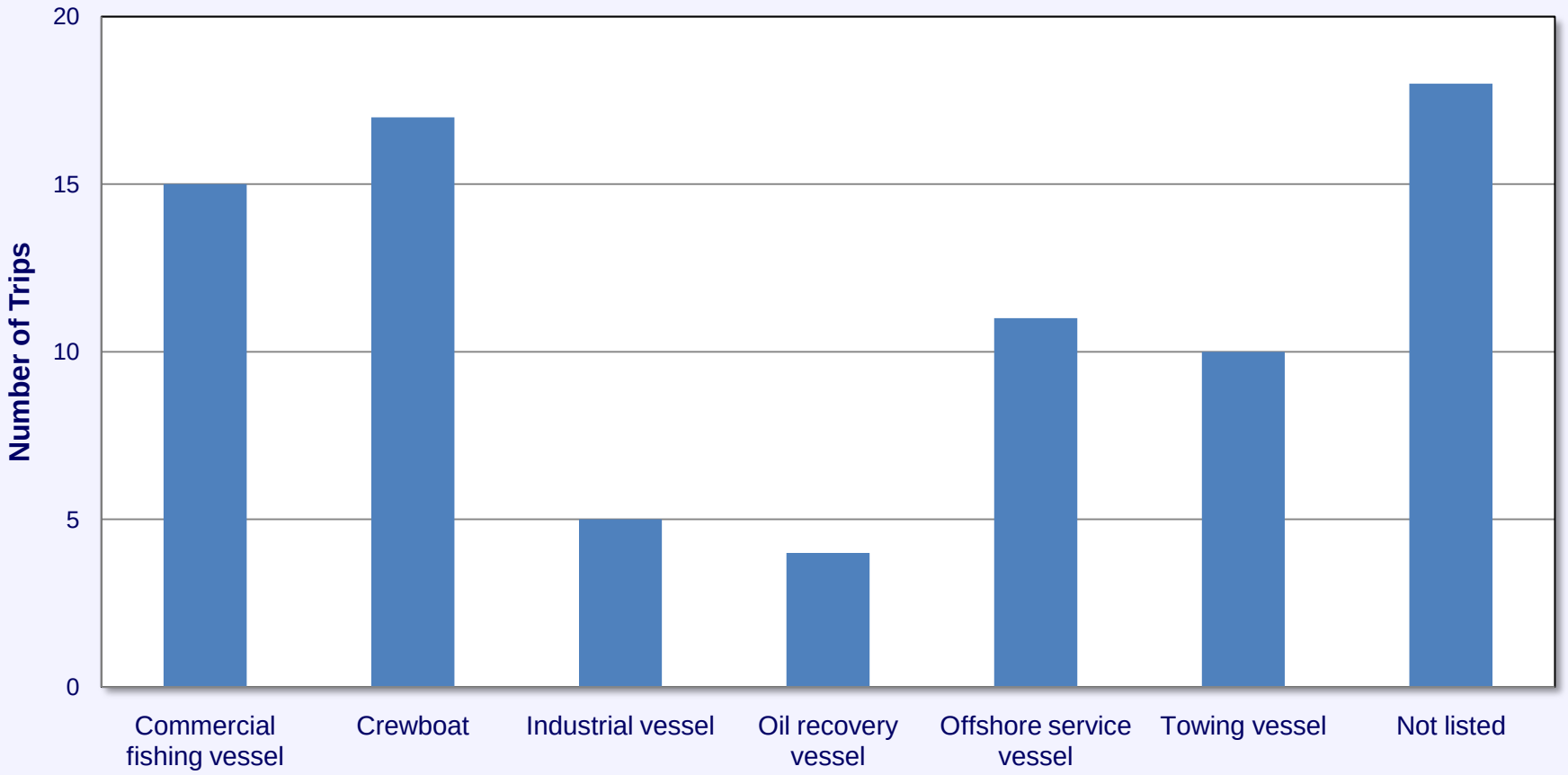
The Port of Venice supports a significant amount of offshore oil and gas support activity.

54 percent of all vessels traveling to and from the Port of Venice during the month of June 2009 are estimated to have been directly related to this offshore oil and gas industry support.

About 33 percent of all vessels were towing vessels (not counted as *directly related to oil and gas activity*)

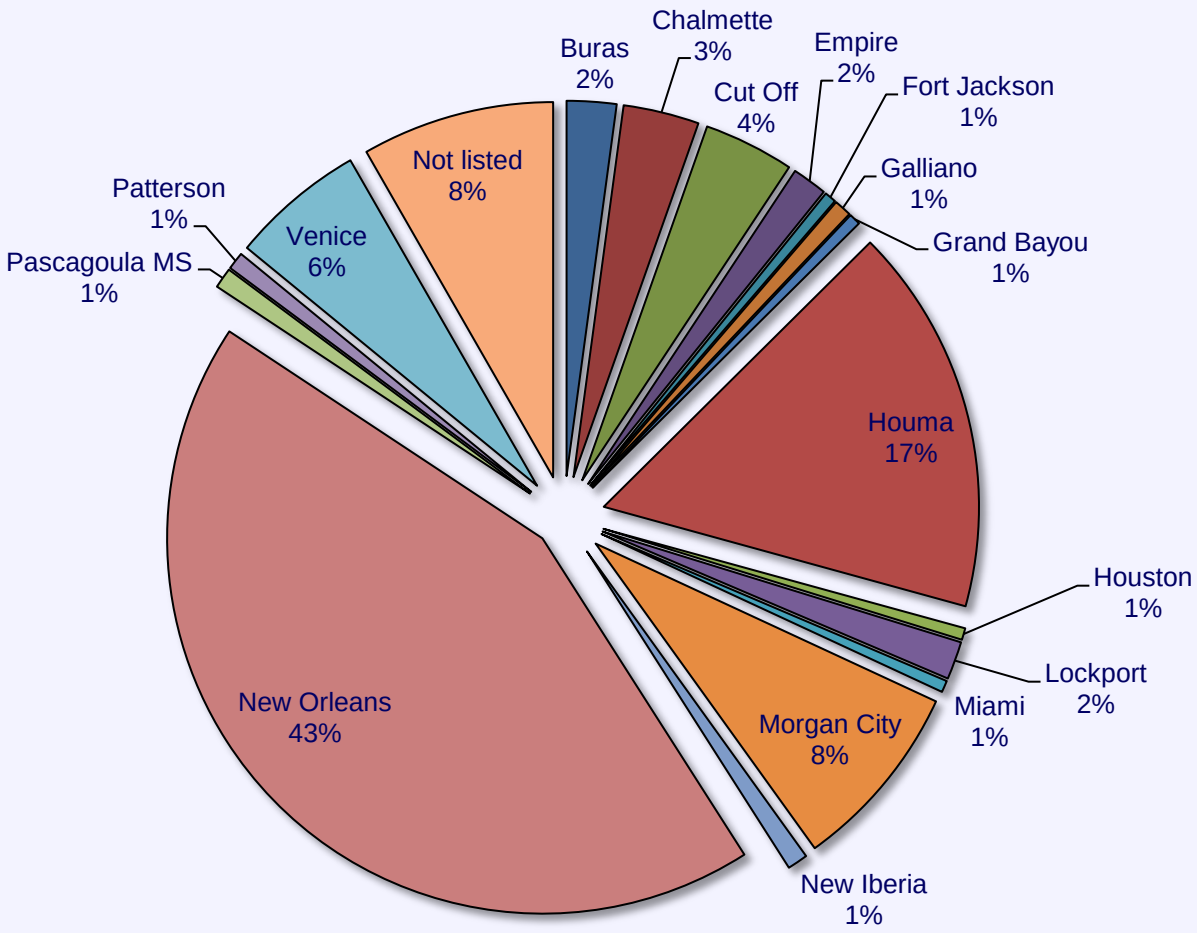
Source: estimated from ShipTracks, Center for Energy Studies Survey

Estimated Average Trips per Vessel Type (June 2009)



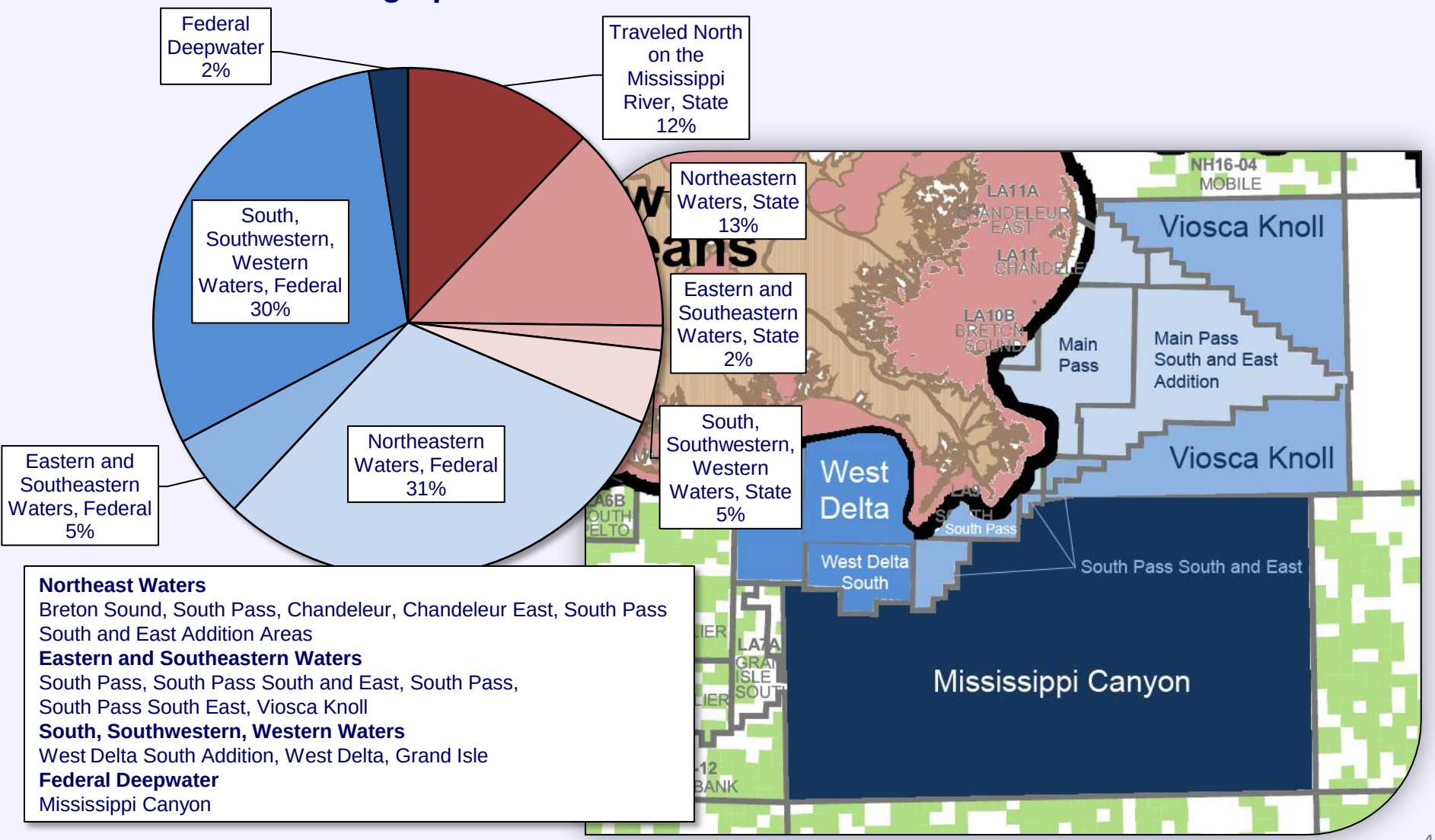
Source: estimated from ShipTracks, Center for Energy Studies Survey

Trips by Registered Port



Source: estimated from ShipTracks, U.S. Coast Guard Documentation Center, Center for Energy Studies Survey

Geographic Breakdown of Port of Venice Marine Vessel Traffic



Northeast Waters
Breton Sound, South Pass, Chandeleur, Chandeleur East, South Pass South and East Addition Areas
Eastern and Southeastern Waters
South Pass, South Pass South and East, South Pass, South Pass South East, Viosca Knoll
South, Southwestern, Western Waters
West Delta South Addition, West Delta, Grand Isle
Federal Deepwater
Mississippi Canyon

Source: ShipTracks, US Coast Guard Documentation Center, Center for Energy Studies

5 Economic Impact Analysis and Results

- Infrastructure Investment
- Marine Vessel Investment
- Annual Operations
- Total Impacts

The Port of Venice is a growing port, and infrastructure development is a large part of its economic activity.

In order to analyze the economic impact of activities at the Port, each specific type of activity was identified and quantified via surveys. These impacts were used as an input into an input/output model, and categorized by direct, indirect, and induced impacts.

"Direct impacts" represent the direct purchases by the Port and its constituent businesses.

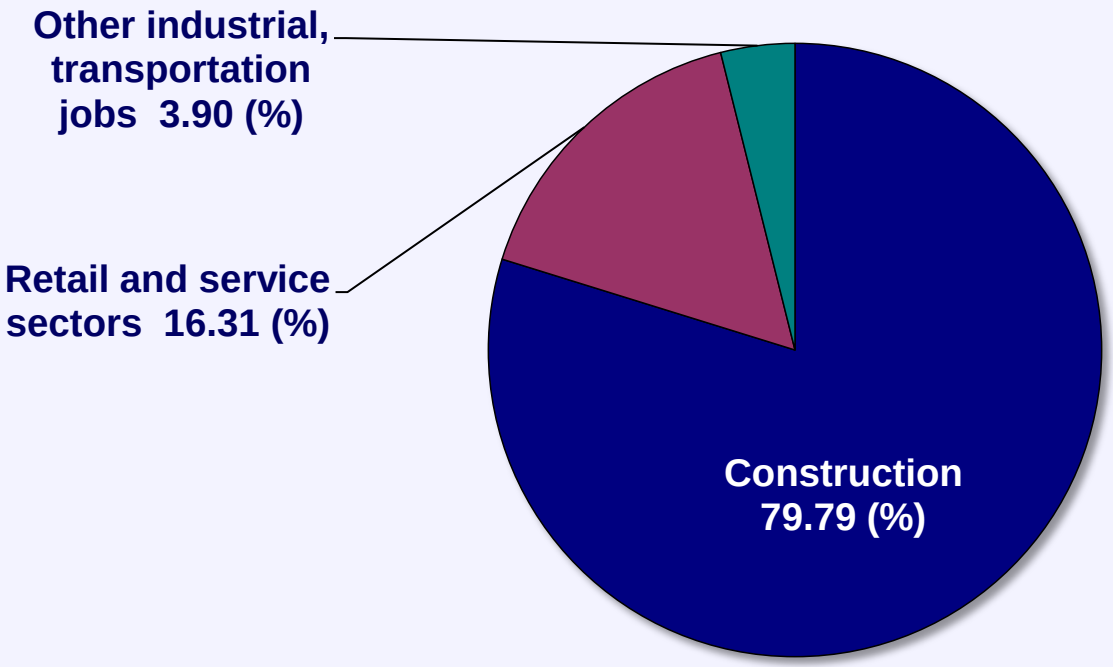
"Indirect impacts" represent the second round of purchases by intermediate businesses.

"Induced impacts" represent an additional round of economic impacts via household spending that would not have occurred without the direct and indirect activity associated with the Port.

The total economic impacts associated with infrastructure development are estimated to be $66.05 and $95.13 million for 2008 and 2009, respectively. Total jobs associated with infrastructure development are estimated to be 512 and 737 for 2008 and 2009, respectively. Wages associated with infrastructure development are estimated to be $25.38 and $36.56 million for 2008 and 2009, respectively.

Local Economy Impacts

Port Infrastructure Investment Impacts ($ million)		2008	2009
Output			
	Direct	$52.32	$75.36
	Indirect	$11.13	$16.02
	Induced	$2.60	$3.75
	Total	**$66.05**	**$95.13**
Employment			
	Direct	419	603
	Indirect	70	100
	Induced	23	34
	Total	**512**	**737**
Wages			
	Direct	$21.69	$31.24
	Indirect	$3.04	$4.38
	Induced	$0.65	$0.93
	Total	**$25.38**	**$36.56**



Infrastructure investment at the Port of Venice is estimated to support 512 to 737 total local jobs in 2008 and 2009, respectively. The majority of these jobs were (are) in construction-related sectors. Retail and service sector jobs were about 16 percent of the total jobs created by infrastructure investment at the Port.

5 Economic Impact Analysis and Results

- Infrastructure Investment
- Marine Vessel Investment
- Annual Operations
- Total Impacts

Much of the activity at the Port of Venice is in the direct investment in marine vessels and marine vessel equipment, which varied between $65.04 and $167.55 million in 2008 and 2009.

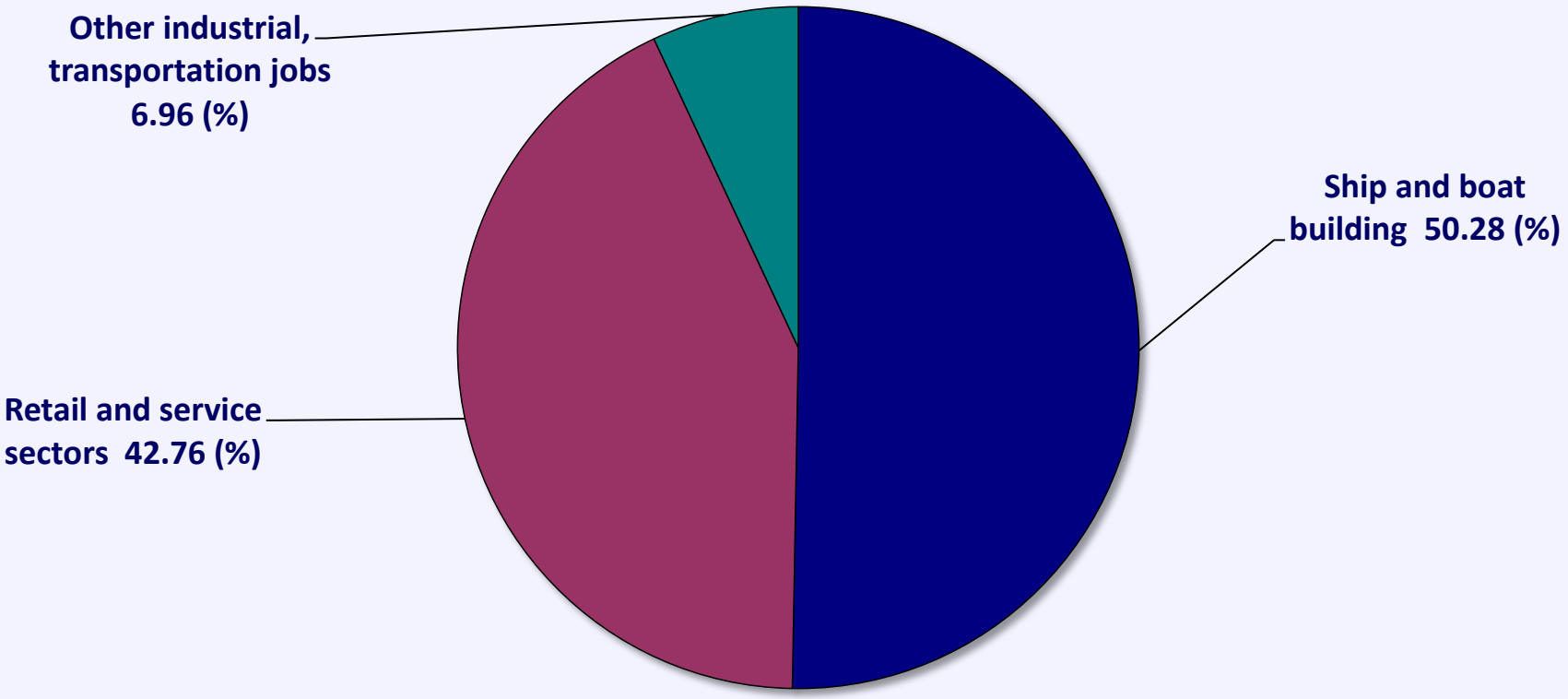
While the community of Venice does not see the majority of the impacts from marine vessel construction and equipment activities, the State of Louisiana benefits significantly.

Total economic impacts for Louisiana that are created by Venice marine vessel investments range between $96.20 to $167.55 million in 2008 and 2009.

Venice marine vessel investments stimulated between 540 to 941 jobs for a total of $29.55 and $51.21 million in wages in 2008 and 2009, respectively.

Total State Economy Impact

Marine Vessel Investment Impacts ($ million)		NPV Total 2008	NPV Total 2009
Output			
	Direct	$65.04	$112.79
	Indirect	$15.62	$27.81
	Induced	$15.54	$26.95
	Total	**$96.20**	**$167.55**
Employment			
	Direct	273	474
	Indirect	120	210
	Induced	147	257
	Total	**540**	**941**
Wages			
	Direct	$20.84	$36.15
	Indirect	$4.55	$7.86
	Induced	$4.16	$7.20
	Total	**$29.55**	**$51.21**



Marine vessel investment supported 540 and 941 jobs statewide in 2008 and 2009, respectively. Jobs associated with marine vessel investment are distributed broadly throughout the state economy. About 50 percent of the total jobs supported were in the ship and boat building sector. The remainder of jobs supported were in the retail and service sectors (about 42 percent) and industrial, transportation, and agriculture sectors (about 7 percent).

5 Economic Impact Analysis and Results

- Infrastructure Investment
- Marine Vessel Investment
- Annual Operations
- Total Impacts

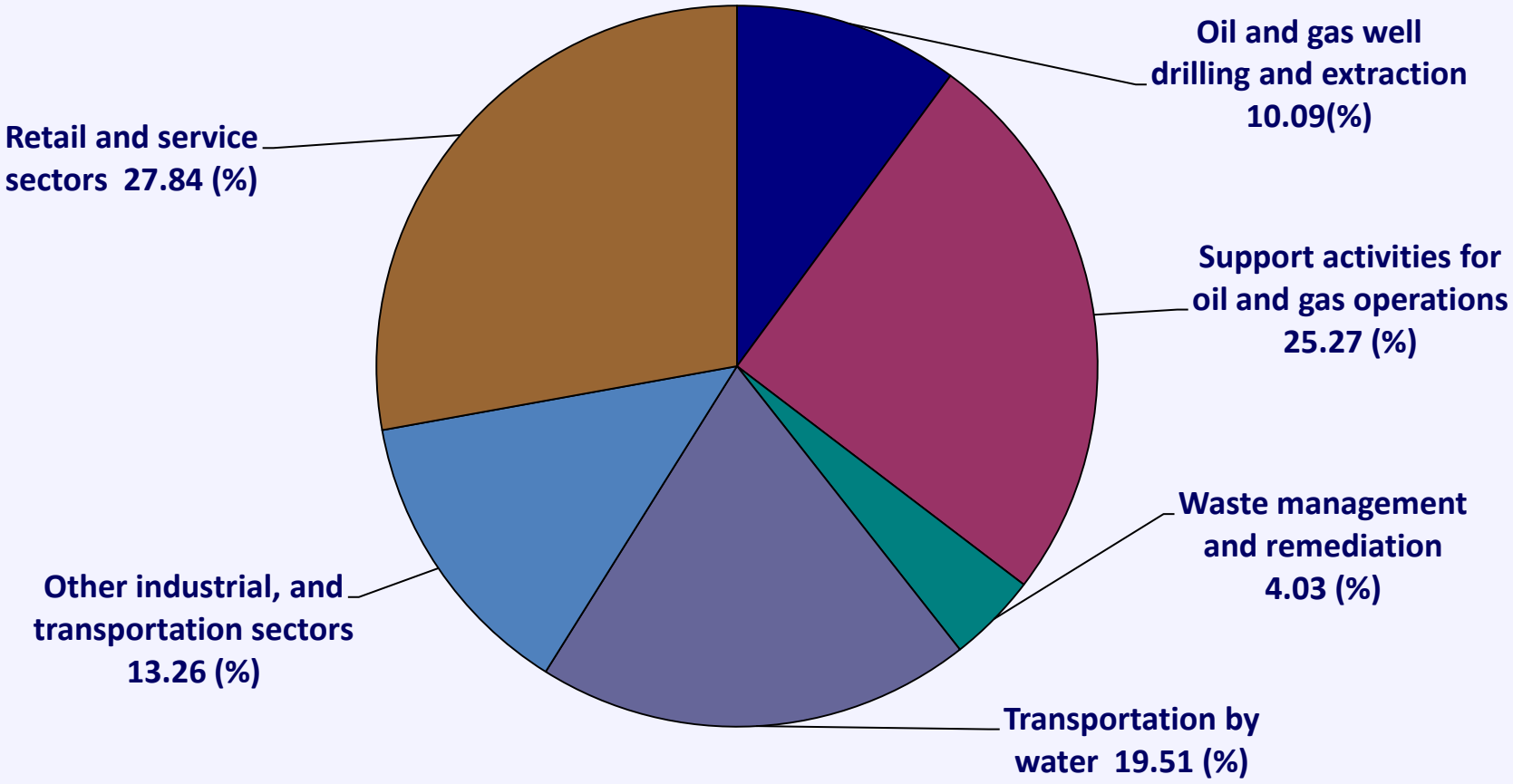
Total economic activity generated from annual operations at the Port of Venice contributed between $196.82 to $196.87 million in 2008 and 2009, respectively.

Port of Venice annual operations and maintenance expenses stimulated between 876 and 905 total jobs in 2008 and 2009, respectively.

The Port of Venice creates economic activity that has been estimated to have supported $45.49 and $45.64 million in employee wages, in 2008 and 2009, respectively.

Local Economy Impacts

Annual Operations ($ millions)		2008	2009
Output			
	Direct	$146.71	$146.61
	Indirect	$45.58	$45.70
	Induced	$4.53	$4.56
	Total	**$196.82**	**$196.87**
Employment			
	Direct	402	404
	Indirect	316	328
	Induced	158	173
	Total	**876**	**905**
Wages			
	Direct	$28.32	$28.10
	Indirect	$13.40	$13.56
	Induced	$3.77	$3.98
	Total	**$45.49**	**$45.64**



About 60 percent of all annual operations jobs related to the Port of Venice are directly related to the oil and gas industry. 27 percent of the jobs created by annual operations are associated with retail and service sector and 13 percent are in a combination of the industrial and/or transportation sectors.

5 Economic Impact Analysis and Results

- Infrastructure Investment
- Marine Vessel Investment
- Annual Operations
- Total Impacts

Investment in infrastructure development at the Port of Venice was responsible for an estimated local economic impact of $66.05 and $95.13 million in 2008 and 2009, respectively.

Marine vessel investment associated with activity at the Port of Venice is estimated to have contributed $37.49 million in economic activity to the local economy in 2008 and 2009, respectively. Concurrently, marine vessel investment also contributed $58.71 and $130.05 million to the rest of the State beyond the local economy in 2008 and 2009, respectively.

The economic impacts of annual operations activity is estimated to have contributed $196.82 and $196.87 million in total economic output in 2008 and 2009, respectively.

The Port of Venice is estimated to have supported $300.6 and $329.49 million in local economic output in 2008 and 2009, respectively. The Port is estimated to have supported $58.71 and $130.05 million in economic output in the rest of the state during 2008 and 2009, respectively.

Total Economic Output

($ Million)	Local 2008	Local 2009	Rest of State 2008	Rest of State 2009
Infrastructure Development				
Direct	$52.32	$75.36		
Indirect	$11.13	$16.02		
Induced	$2.60	$3.75		
Subtotal	**$66.05**	**$95.13**		
Marine Vessel Investment				
Direct	$32.22	$32.22	$32.82	$80.57
Indirect	$4.12	$4.12	$11.50	$23.68
Induced	$1.15	$1.15	$14.39	$25.80
Subtotal	**$37.49**	**$37.49**	**$58.71**	**$130.05**
Annual Operations				
Direct	$146.71	$146.61		
Indirect	$45.58	$45.70		
Induced	$4.53	$4.56		
Subtotal	**$196.82**	**$196.87**		
Total	**$300.36**	**$329.49**	**$58.71**	**$130.05**

In 2008, 419 direct construction jobs were supported by Port infrastructure investment. 2009 saw a 44 percent increase in the level of jobs supported through this activity, or 603 jobs.

Port associated marine vessel investment supported 540 and 941 total jobs in 2008 and 2009, respectively. Year-over-year that is a 74 percent increase in the total number of jobs supported by marine vessel investment.

Marine vessel investment and ship building, in particular, supports a broad range of jobs, providing a significant economic benefit statewide.

The annual operations of companies associated with, or using, the Port of Venice supported 876 and 904 jobs in 2008 and 2009, respectively.

As a whole, the Port of Venice supported 1,558 and 1,811 local jobs, and 370 and 771 statewide jobs (in addition to the local economy), in 2008 and 2009, respectively.

Total Employment	Local		Rest of State	
(Jobs)	2008	2009	2008	2009
Construction and Investment in Improvements				
Direct	419	603		
Indirect	70	100		
Induced	23	34		
Subtotal	**512**	**737**		
Marine Vessel Investment				
Direct	31	129	144	345
Indirect	31	31	89	179
Induced	10	10	137	247
Subtotal	**170**	**170**	**370**	**771**
Annual Operations				
Direct	402	404		
Indirect	316	328		
Induced	158	173		
Subtotal	**876**	**904**		
Total	**1,558**	**1,811**	**370**	**771**

Infrastructure-related jobs at the Port is estimated to have contributed between $25.38 and $36.56 million in total wages in 2008 and 2009, respectively.

Marine vessel investment associated with the Port is estimated to have supported $29.55 and $51.21 million in total wages in 2008 and 2009, respectively.

Annual Port operations is estimated to have contributed between $45.49 and $45.63 million in total wages to the local economy in 2008 and 2009, respectively.

In total, the economic activity associated with the Port of Venice is estimated to have supported between $100.42 and $133.40 million in wages in 2008 and 2009, respectively.

Total Wages	Local		Rest of State	
($ Million)	2008	2009	2008	2009
Construction and Investment in Improvements				
Direct	$21.69	$31.24		
Indirect	$3.04	$4.38		
Induced	$0.65	$0.93		
Subtotal	**$25.38**	**$36.56**		
Marine Vessel Investment				
Direct	$11.11	$11.11	$9.73	$25.04
Indirect	$1.35	$1.35	$3.20	$6.51
Induced	$0.29	$0.29	$3.87	$6.91
Subtotal	**$12.75**	**$12.75**	**$16.80**	**$38.46**
Annual Operations				
Direct	$28.32	$28.10		
Indirect	$13.40	$13.56		
Induced	$3.77	$3.98		
Subtotal	**$45.49**	**$45.63**		
Total	**$83.62**	**$94.94**	**$16.80**	**$38.46**

6 Future Outlook and Opportunities

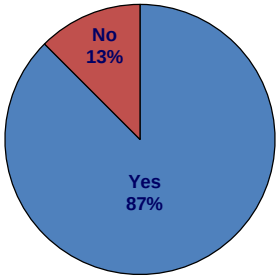
- Continued expansion of Port of Venice activities
- Eastern Gulf of Mexico potential
- Continued deepwater production
- Minerals Management Service lease sales
- Oil and gas companies' proximity analysis
- Approved Liquefied Natural Gas terminals
- Future Outlook

The Port of Venice has experienced significant growth over the past several years. The economic output and job growth experienced in 2008, and that expected for 2009 is substantial. Gross revenues are estimated to be $264.46 million in 2008 compared to $241.93 in anticipated revenues in 2009, a 9 percent decrease despite a 27.7 percent decrease in the price of crude oil and a 53.1 percent decrease in the price of natural gas. Interestingly, survey respondents and CES estimates indicate that tenants planned $188.15 million in capital investment in 2009, compared with $117.36 million in 2008. This indicates that tenants feel the long term growth opportunity surrounding the Port remains positive.

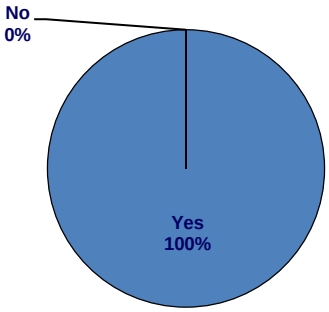
All survey participants were asked:

"Do you anticipate an increase in activity as opportunities for Eastern GOM drilling increase?"

All survey participant responses:



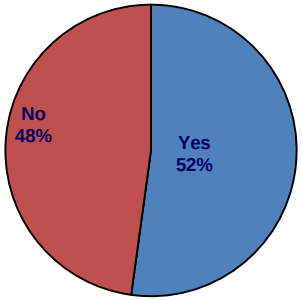
Tenant survey participant responses:



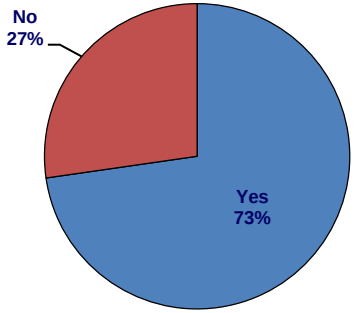
All survey participants were also asked:

"Have you had bona fide inquiries from customers for servicing Eastern GOM activities?"

All survey participant responses:



Tenant survey participant responses:



Increased opportunities for Eastern GOM drilling expected (87 percent).

About 73 percent of tenants have received inquiries for potential Eastern GOM activities.

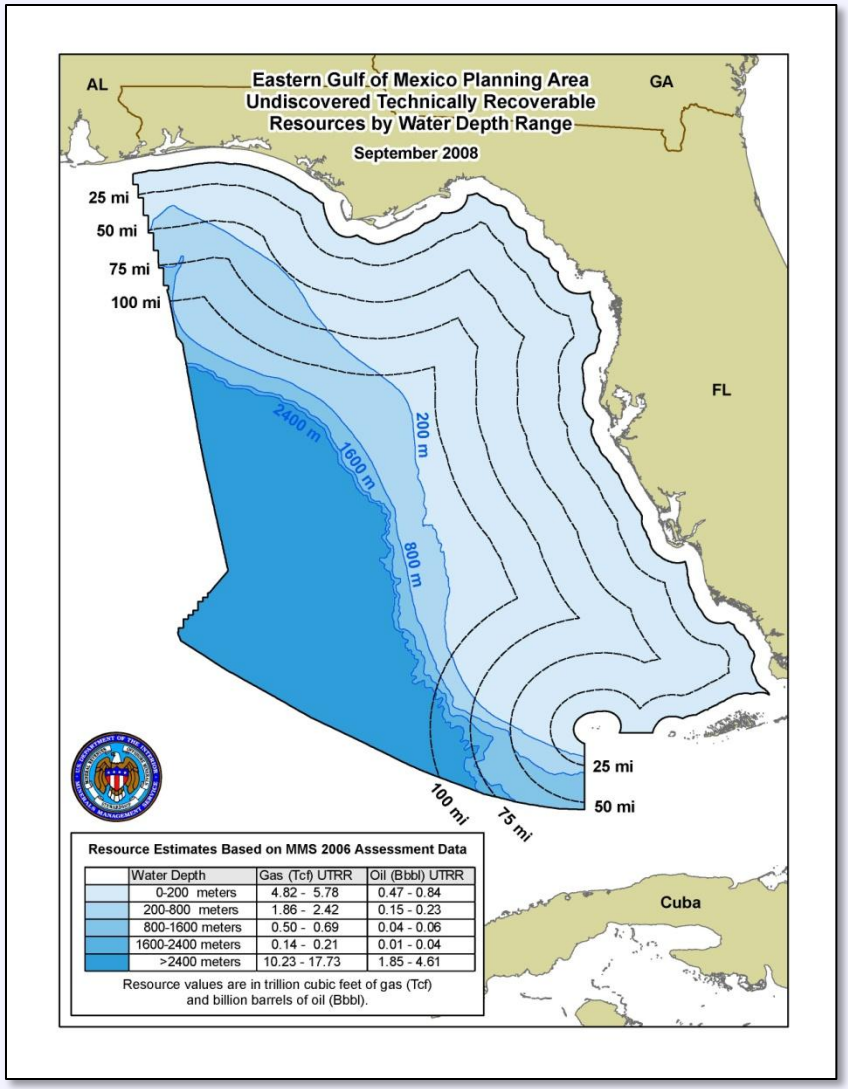
Survey respondent:

"Venice holds potential to be the eastern GOM main port if improvements are made to allow deepwater vessels access."

Source: Center for Energy Studies Survey

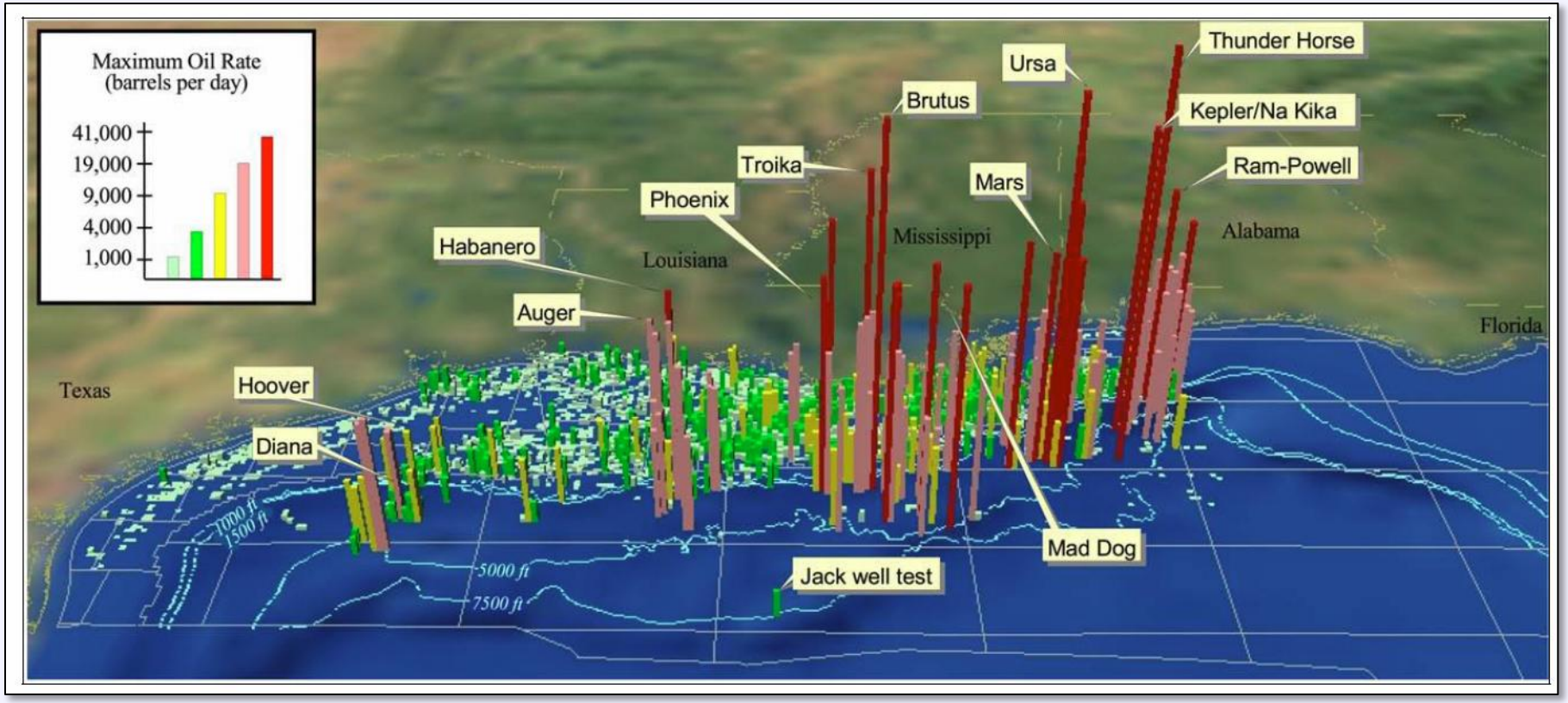
In 2008, Congress did not vote to continue the oil and gas drilling moratoria along the Eastern Gulf of Mexico. Recent high side undiscovered technically recoverable resources estimates by MMS for the region include some 5.78 Bbbls of petroleum and 26.83 Tcf of natural gas. Low side estimates are 2.52 Bbbls of petroleum and 17.55 Tcf of natural gas.

MMS' most recent (draft) five year plan anticipates 3 lease sales in the Gulf of Mexico Region.



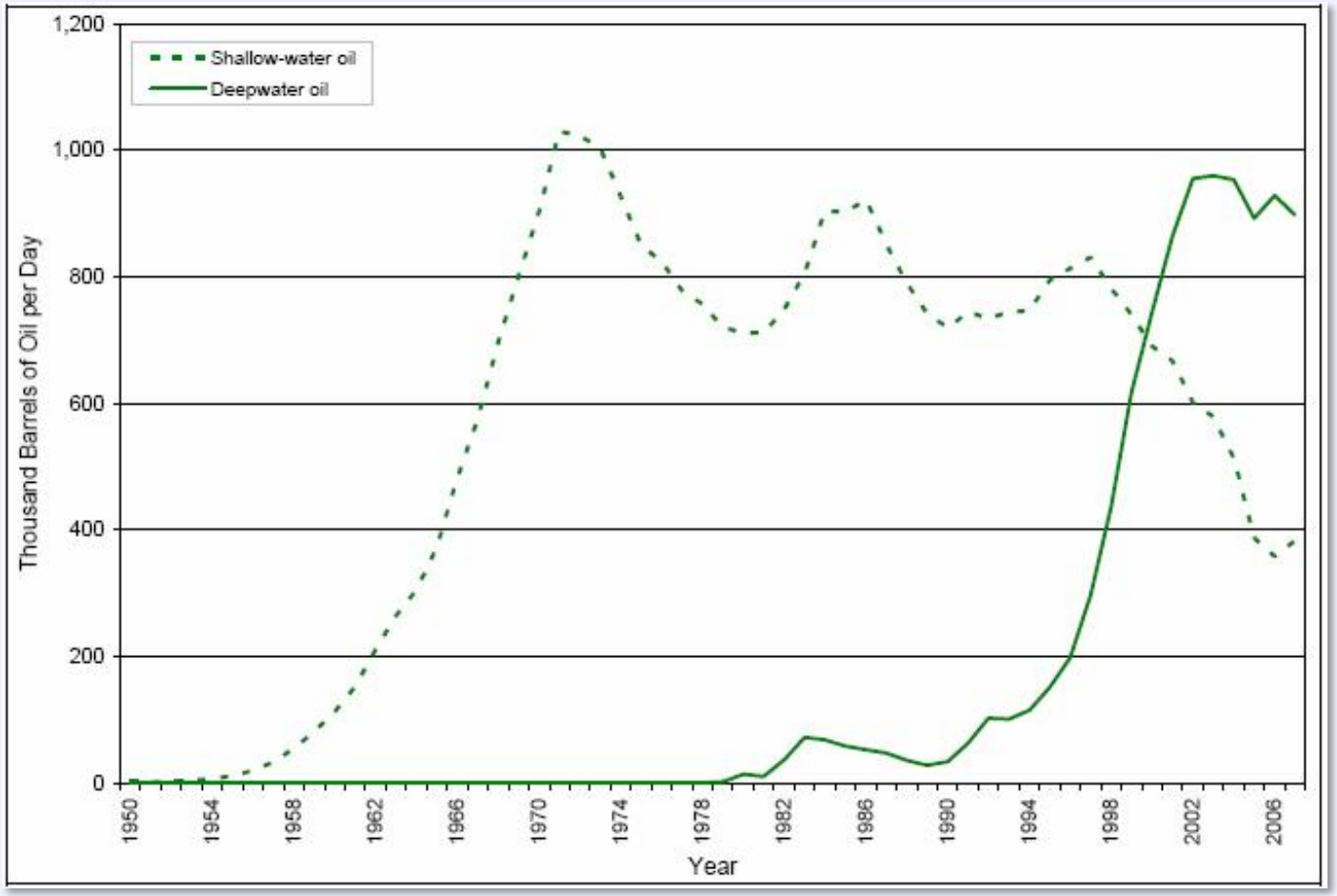
Source: Minerals Management Service

Deepwater wells off coastal Louisiana, Mississippi, and Alabama, many serviceable, or potentially serviceable, by the Port of Venice and other coastal Louisiana, Mississippi and Alabama ports, have had the highest daily oil production rates in the Gulf of Mexico. With 20 of the most prolific producing blocks in the GOM located in deep water. In 2007, the GOM supplied approximately 25 percent of the Nation's domestic oil and 14 percent of its domestic gas production.



Source: Minerals Management Service

GOM deepwater oil production continues to be strong since surpassing shallow-water oil production in 2000.

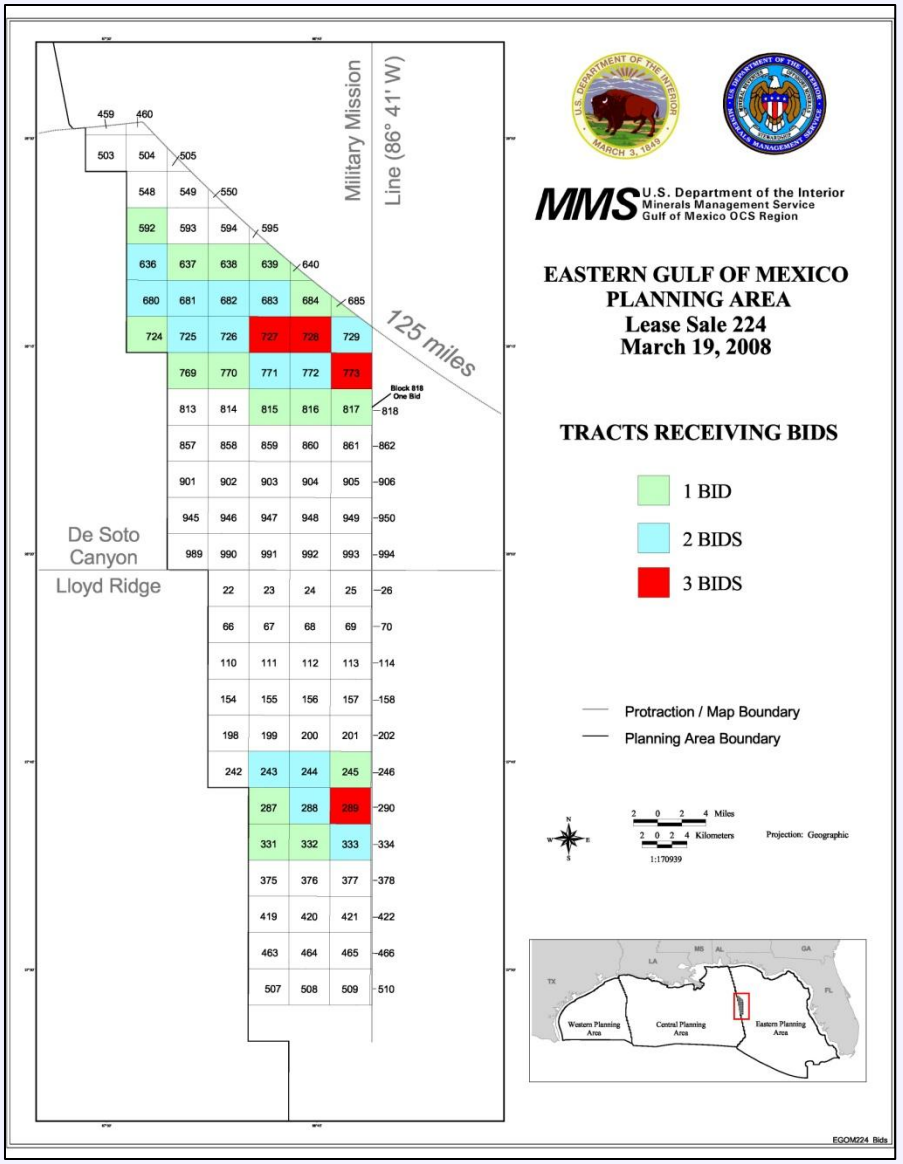


Source: Minerals Management Service

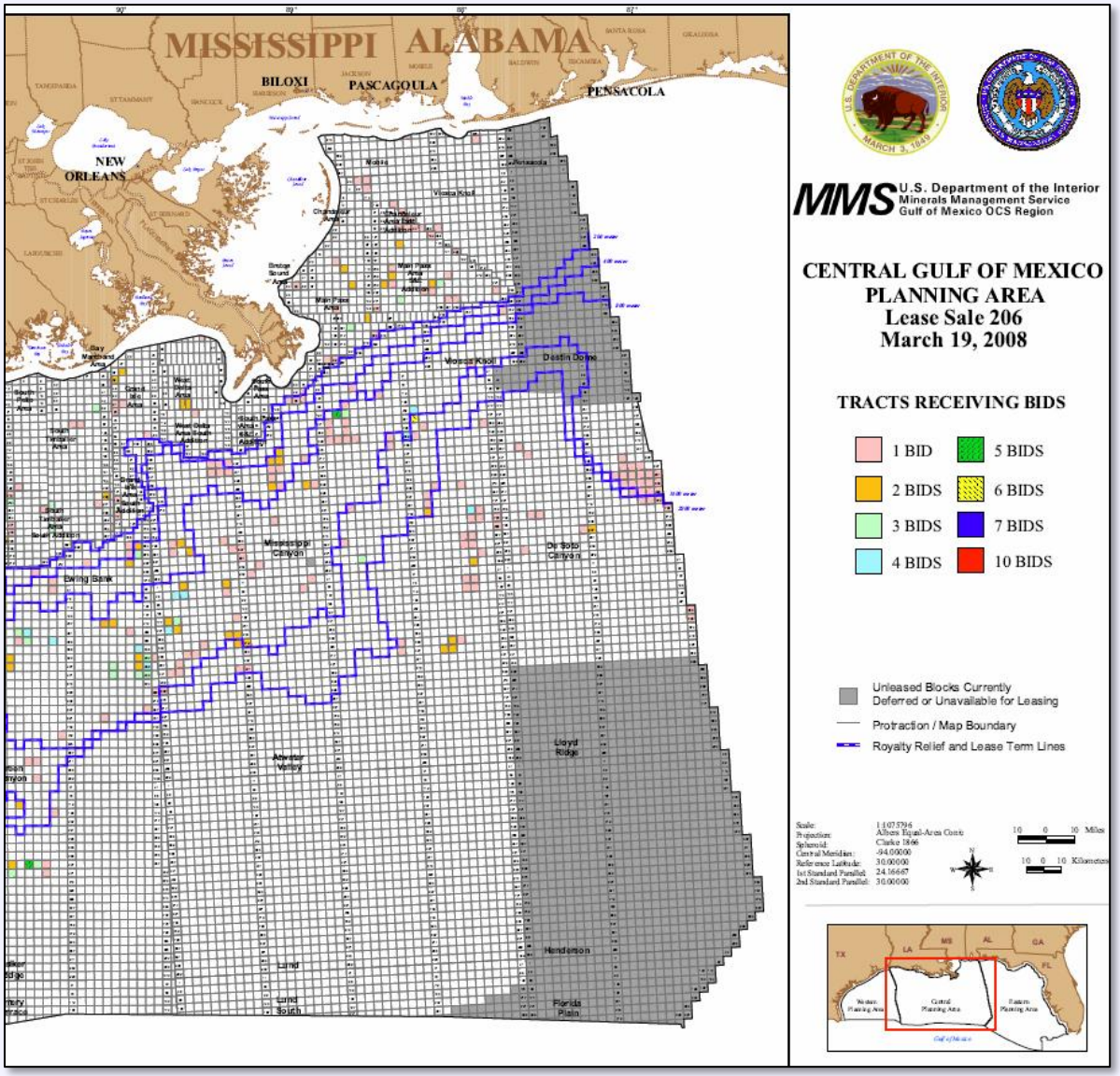
Eastern lease sale 224, pictured at right, attracted $65 million in high bids. MMS received 58 bids from six companies on 36 blocks. These lease sales indicate continued significant interest in the GOM. The sales also represent increased exploration and development opportunities, with lease sale 224 representing the first time that area has been available to exploration since 1988.

Eastern Gulf lease sales 206 (pictured on the following page) and 224 were held on March 19, 2008. The lease sale 224 included 97 lease blocks in the deepwater DeSoto Canyon and Lloyd Ridge areas. Lease sale 206 attracted approximately $3.7 billion in high bids, representing the highest such figure since Federal offshore leasing began. A total of 1,057 bids from 85 companies on 615 blocks were submitted.

Eastern Louisiana, Mississippi, Alabama, and potentially Florida ports, and their communities, stand to benefit from increased service opportunities as these areas are explored and developed.

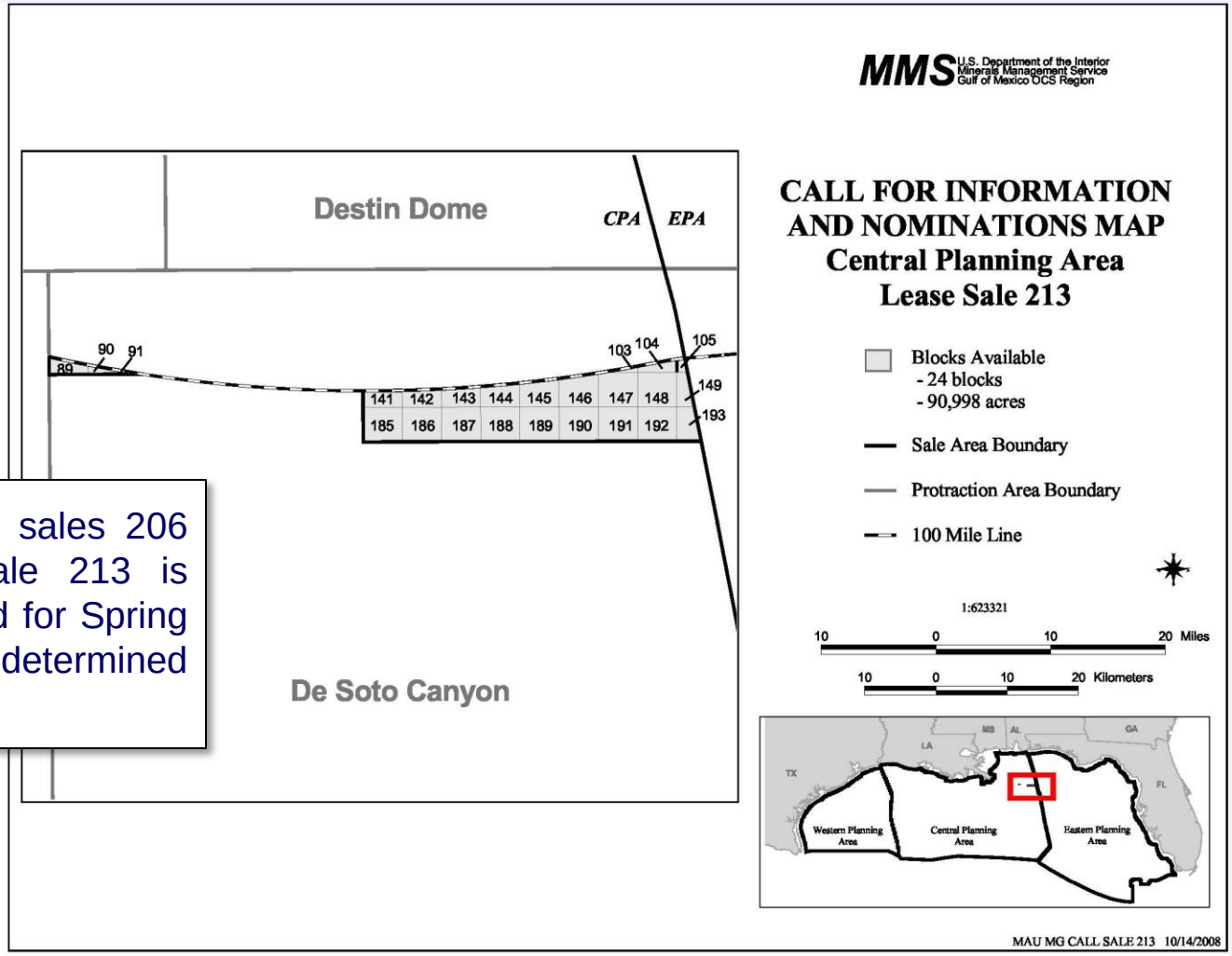


Source: Minerals Management Service

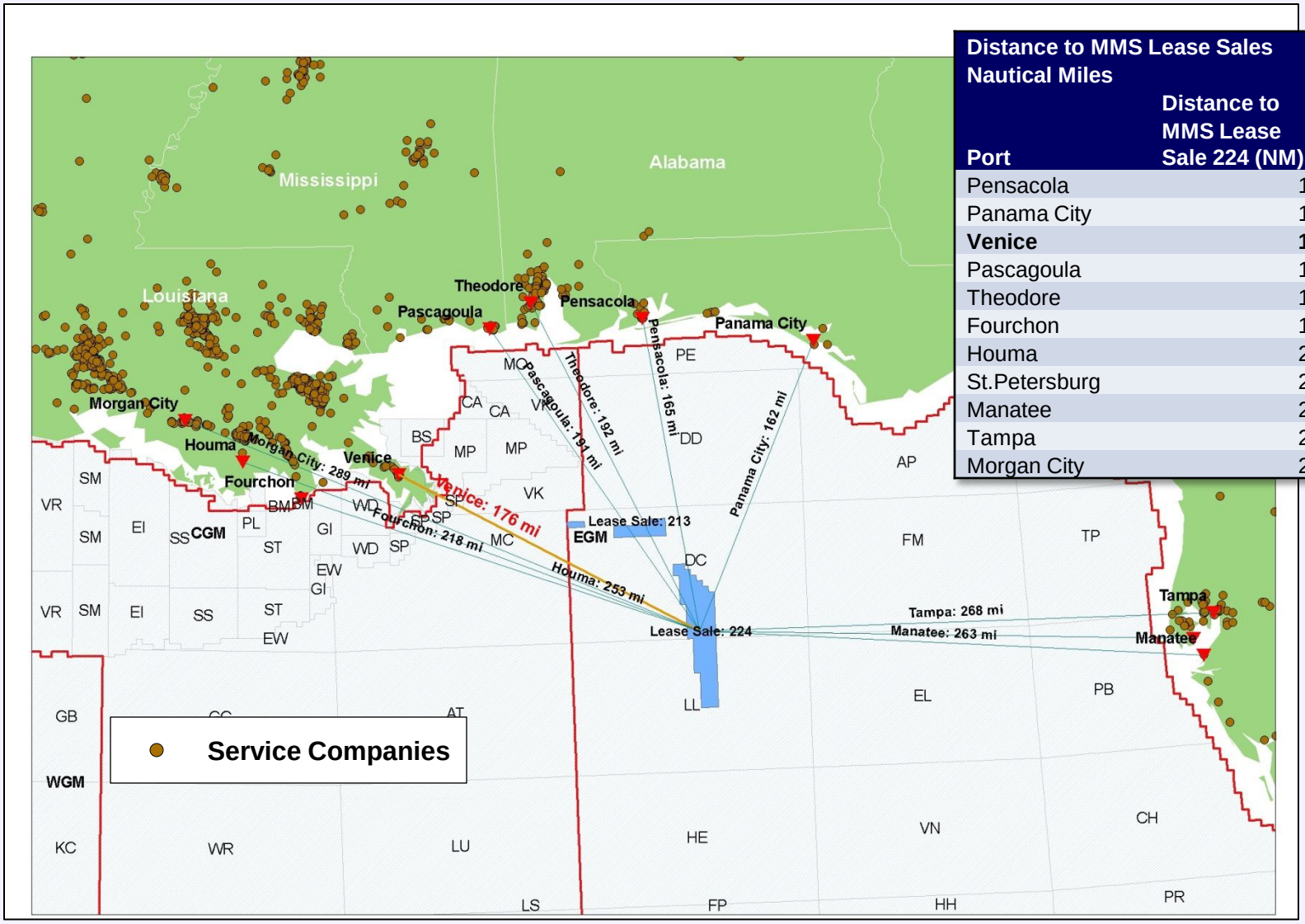


Source: Minerals Management Service

In addition to lease sales 206 and 224, lease sale 213 is tentatively scheduled for Spring 2010, at a to-be-determined New Orleans Site.

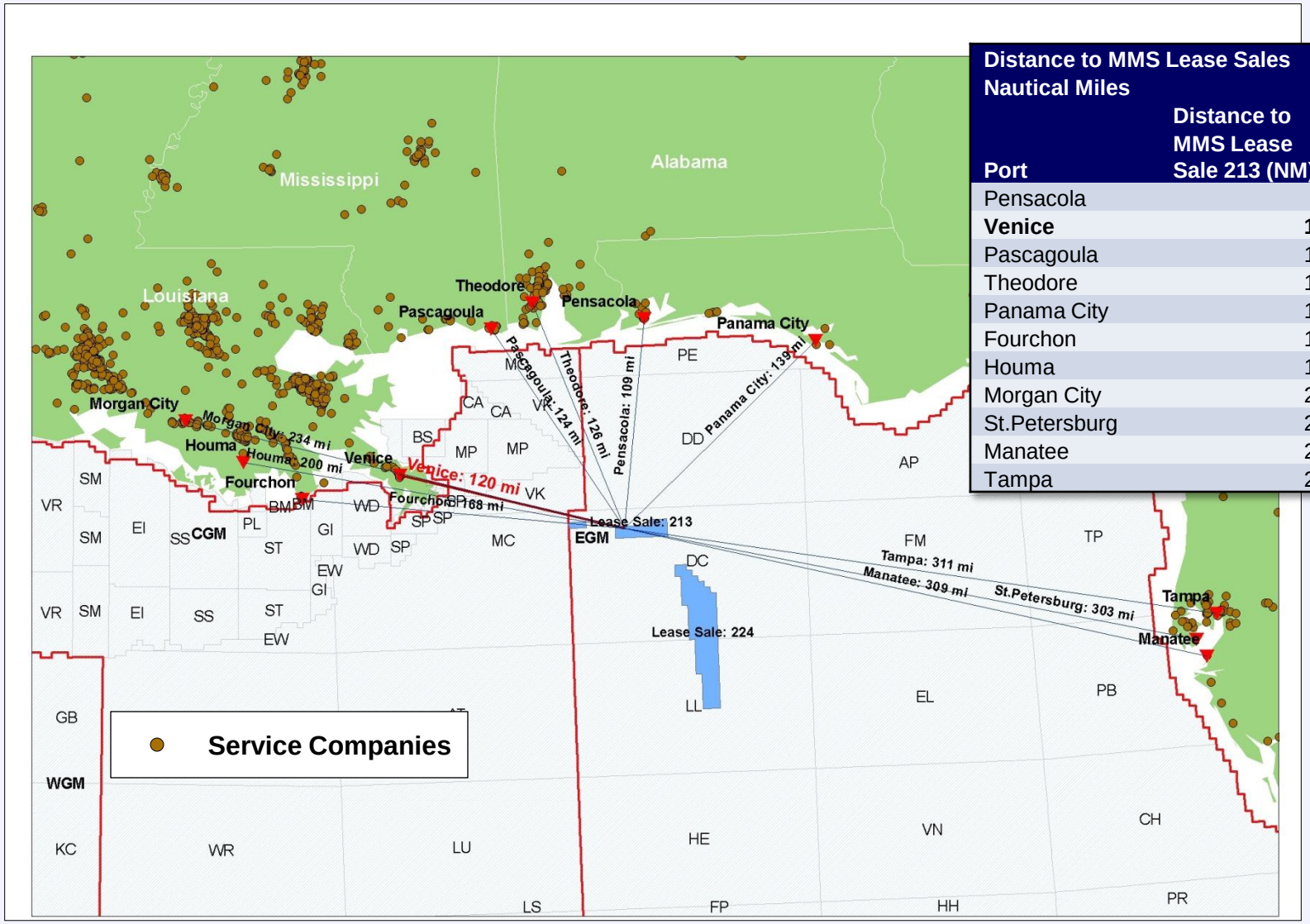


Source: Minerals Management Service



Distance to MMS Lease Sales
Nautical Miles

Port	Distance to MMS Lease Sale 224 (NM)
Pensacola	143
Panama City	141
Venice	**153**
Pascagoula	166
Theodore	167
Fourchon	189
Houma	220
St.Petersburg	224
Manatee	228
Tampa	233
Morgan City	251



Distance to MMS Lease Sales
Nautical Miles

Port	Distance to MMS Lease Sale 213 (NM)
Pensacola	95
Venice	**104**
Pascagoula	108
Theodore	110
Panama City	121
Fourchon	146
Houma	174
Morgan City	204
St.Petersburg	263
Manatee	269
Tampa	270

Distance to Minerals Management Service Lease Sales Nautical Miles (sorted by shortest average distance)	Distance to MMS Lease Sale (LS)		Estimated Average Round Trip OSV Fuel Cost	
Port / Lease Sale	LS 213	LS 224	LS 213	LS 224
Pensacola	95	143	$5,091	$7,699
Venice	**104**	**153**	**$5,575**	**$8,207**
Pascagoula	108	166	$5,796	$8,912
Theodore	110	167	$5,885	$8,940
Panama City	121	141	$6,479	$7,565
Fourchon	146	189	$7,816	$10,159
Houma	174	220	$9,343	$11,794
Morgan City	204	251	$10,928	$13,474
St.Petersburg	263	224	$14,109	$11,996
Manatee	269	228	$14,430	$12,254
Tampa	270	233	$14,485	$12,492

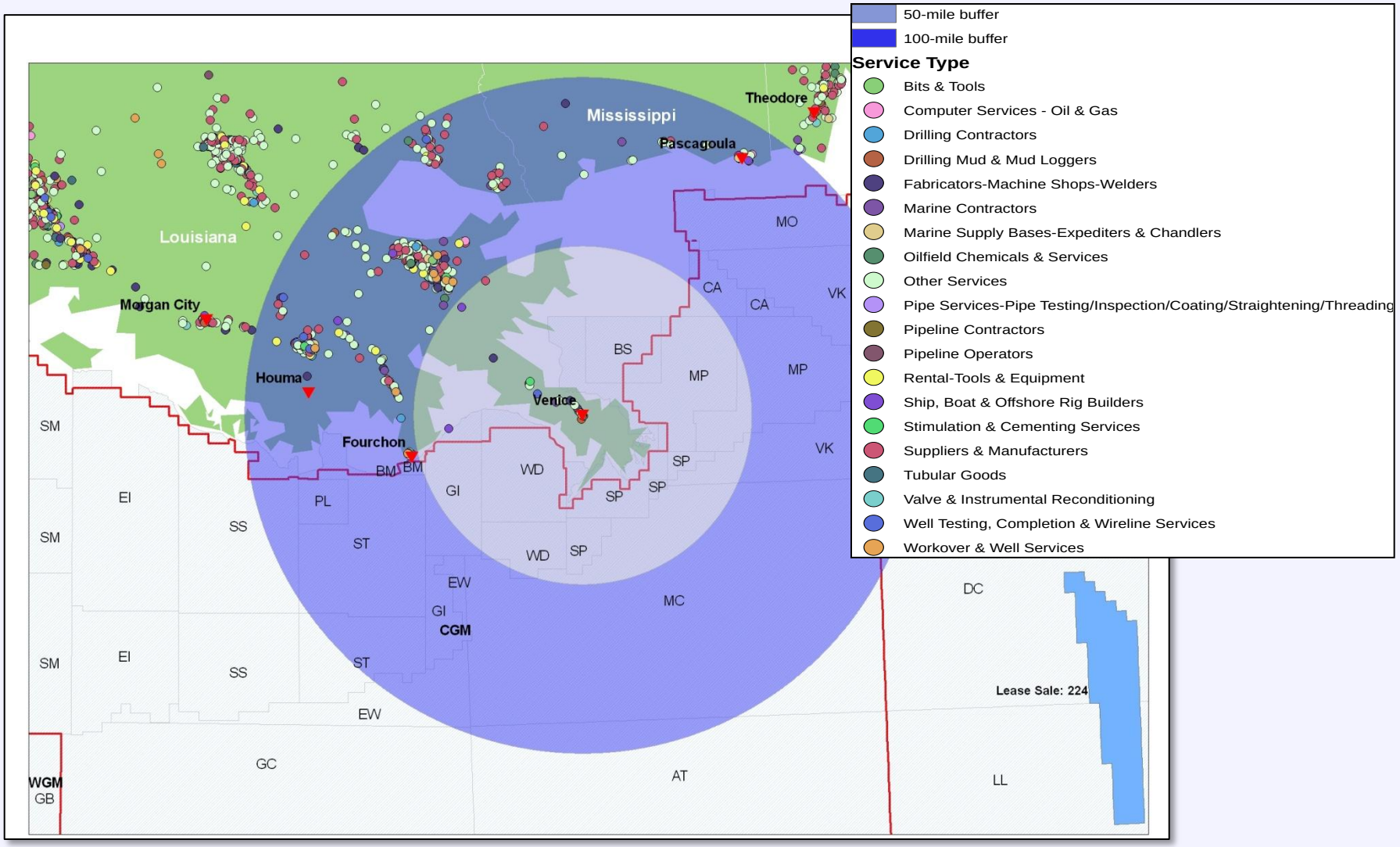
Assumptions: Typical Offshore Supply Vessel, Knots 12.0, Fuel Consumption, U.S Gallon per Hour: 140, Gallons per Nautical Mile 11.67, $2.30 per gallon retail diesel.

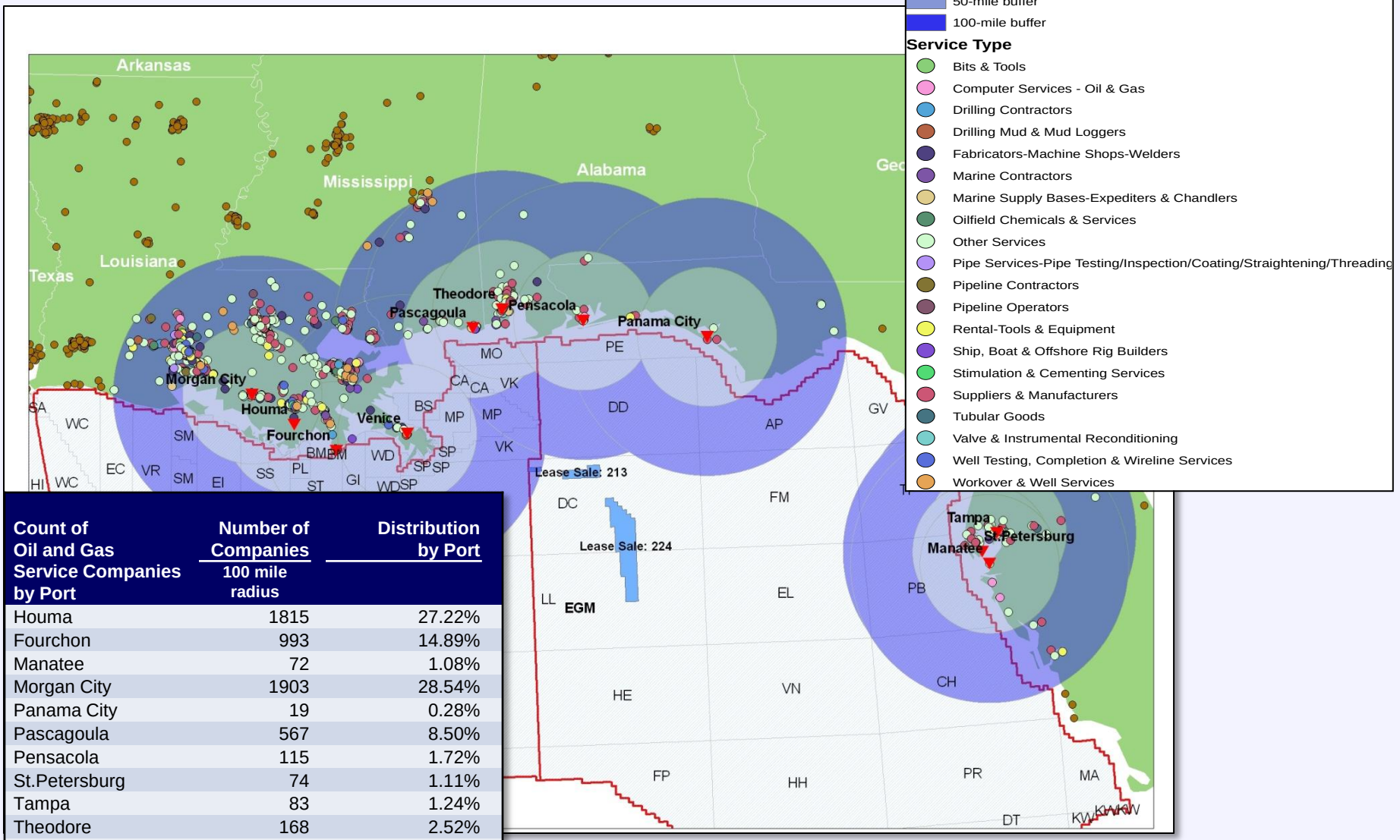
Geographic location and the ability to support long distance offshore supply vessels will become an increasingly competitive advantage for ports along the Eastern Gulf. Venice has the most competitive total fuel cost, given its geographic location, to any other port located along the GOM with the exception of Pensacola (LS 213 and 214) and Panama City (LS 224 only).

The Proximities of Oil and Gas Service Companies to the Port of Venice	Within 50 Miles			Within 100 Miles		
	Number of Companies	Percent of Total Gulf Coast Same Category Companies	Distribution of Companies	Number of Companies	Percent of Total Gulf Coast Same Category Companies	Distribution of Companies
Bits and Tools	1	0.01%	1.67%	5	0.06%	0.58%
Computer Services - Oil & Gas	-	-	-	7	0.08%	0.81%
Drilling Contractors	3	0.04%	5.00%	15	0.18%	1.74%
Drilling Mud & Mud Loggers	3	0.04%	5.00%	11	0.13%	1.28%
Fabricators-Machine Shops-Welders	8	0.10%	13.33%	43	0.51%	5.00%
Marine Contractors	6	0.07%	10.00%	29	0.34%	3.37%
Marine Supply Bases	3	0.04%	5.00%	11	0.13%	1.28%
Oilfield Chemicals & Services	-	-	-	13	0.15%	1.51%
Other Services	22	0.26%	36.67%	358	4.26%	41.63%
Pipe Services	-	-	-	9	0.11%	1.05%
Pipeline Contractors	.	-	-	1	0.01%	0.12%
Pipeline Operators	1	0.01%	1.67%	3	0.04%	0.35%
Rental-Tools & Equipment	-	-	-	53	0.63%	6.16%
Ship, Boat & Offshore Rig Builders	4	0.05%	6.67%	26	0.31%	3.02%
Stimulation & Cementing Services	1	0.01%	1.67%	4	0.05%	0.47%
Suppliers & Manufacturers	3	0.04%	5.00%	224	2.66%	26.05%
Tubular Goods	2	0.02%	3.33%	12	0.14%	1.40%
Valve & Instrumental Reconditioning	-	-	-	6	0.07%	0.70%
Well Testing, Completion	2	0.02%	3.33%	15	0.18%	1.74%
Workover & Well Services	1	0.01%	1.67%	15	0.18%	1.74%
Total	**60**	**0.71%**	**100.00%**	**860**	**10.22%**	**100.00%**

Venice has one of the largest concentrations of service companies located in close proximity. There are approximately 860 total service companies of all types located within 100 miles of the Port.

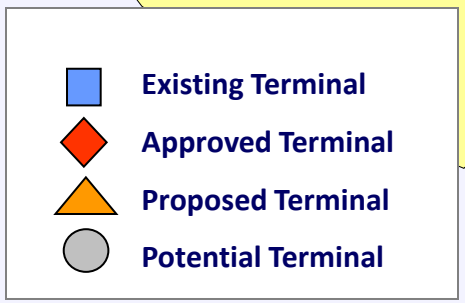
Sources: Gulf Coast Petroleum Directory

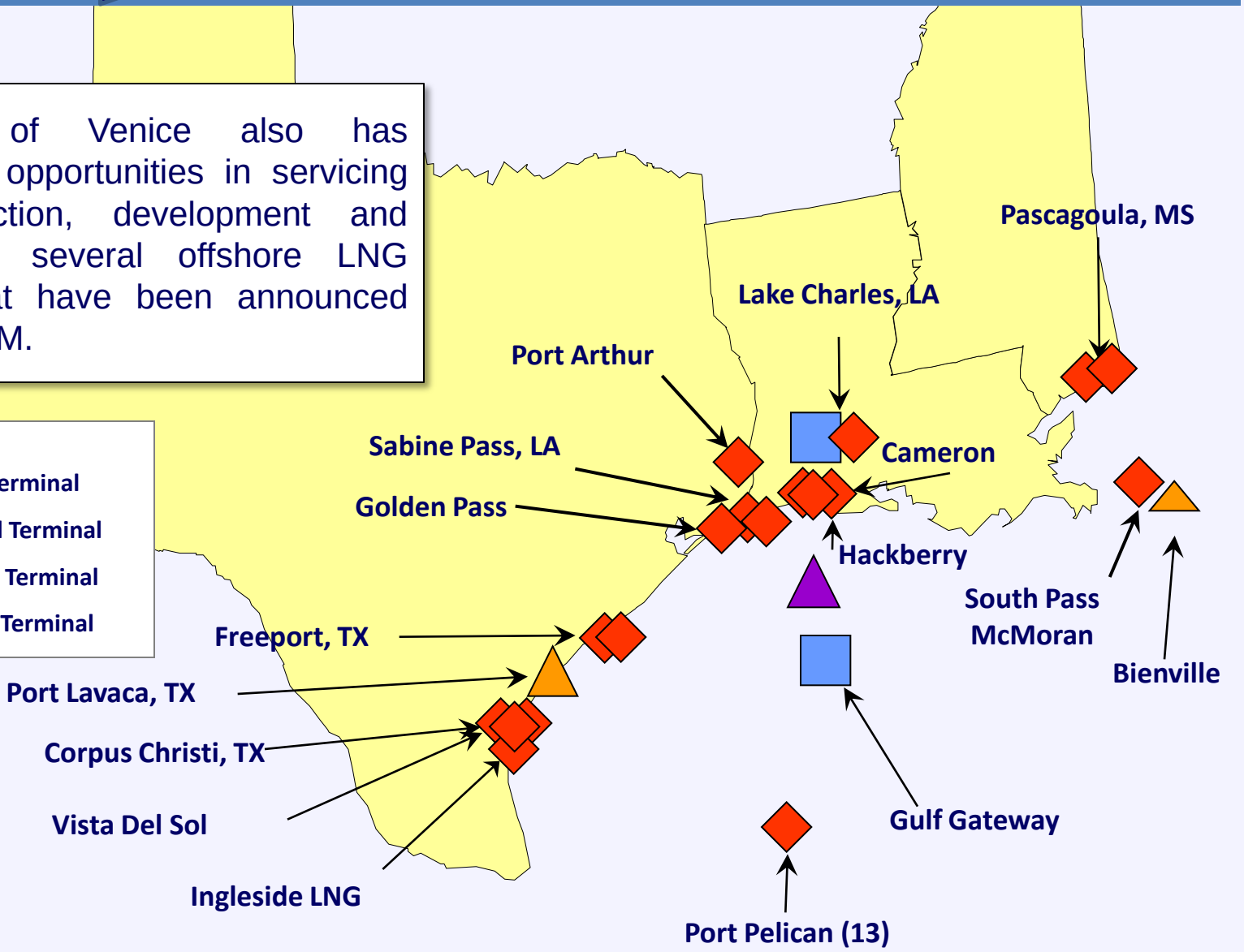

50-mile buffer
100-mile buffer
Service Type
Bits & Tools
Computer Services - Oil & Gas
Drilling Contractors
Drilling Mud & Mud Loggers
Fabricators-Machine Shops-Welders
Marine Contractors
Marine Supply Bases-Expediters & Chandlers
Oilfield Chemicals & Services
Other Services
Pipe Services-Pipe Testing/Inspection/Coating/Straightening/Threading
Pipeline Contractors
Pipeline Operators
Rental-Tools & Equipment
Ship, Boat & Offshore Rig Builders
Stimulation & Cementing Services
Suppliers & Manufacturers
Tubular Goods
Valve & Instrumental Reconditioning
Well Testing, Completion & Wireline Services
Workover & Well Services
Louisiana
Mississippi
Theodore
Pascagoula
Morgan City
Houma
Venice
Fourchon
CGM
Lease Sale: 224
SM
EI
SS
ST
EW
GC
WGM
GB
PL
GI
BM
WD
SP
BS
MP
VK
CA
MO
MC
AT
DC
LL



Count of Oil and Gas Service Companies by Port	Number of Companies 100 mile radius	Distribution by Port
Houma	1815	27.22%
Fourchon	993	14.89%
Manatee	72	1.08%
Morgan City	1903	28.54%
Panama City	19	0.28%
Pascagoula	567	8.50%
Pensacola	115	1.72%
St.Petersburg	74	1.11%
Tampa	83	1.24%
Theodore	168	2.52%
Venice	860	12.90%
Total	**6669**	**100.00%**

The Port of Venice also has considerable opportunities in servicing the construction, development and operation of several offshore LNG terminals that have been announced along the GOM.





Sources: FERC

7 Conclusions

- Importance of the Port of Venice to offshore oil and gas production
- Importance of dredging investments to the Port of Venice
- Importance of economic activities at the Port of Venice
- The economic impacts of the Port of Venice
- Future growth opportunities for the Port of Venice

The Port of Venice is the “Gateway to the Gulf” and serves as one of the region’s premier energy service ports.

The Port provides a wide range of services including maintenance, specialty supplies, transportation, rig towing, and drilling supplies, to name a few.

The Port is in close proximity to the prolific offshore production areas of the Central GOM (New Orleans district). This area accounts for over 50 percent and 45 percent of all federal GOM oil and natural gas production, respectively.

The Port is the primary service base for state and inland water oil and natural gas production. The state production areas served by the Port account for over 30 percent and 5 percent of all state oil and natural gas production, respectively.

The Port services state production activities that contribute $300 million per year in state mineral revenues (over $500 million in 2008). Over the past five years, the Port serviced state production that contributed more than $1.9 billion in state mineral revenues, more than another area of Louisiana.

The detailed survey conducted by the LSU Center for Energy Studies found that continued investments in the Port of Venice, primarily associated with dredging activities for Baptiste Collette Bayou, Tiger Pass, and South Pass had considerable economic value. The survey had a 30 percent response rate for the entire sample, and an estimated 58 percent response rate for those entities identified as Port tenants.

A large number of survey respondents indicated that they were likely to make Venice their primary port if Baptiste Collette Bayou were dredged to a more accessible channel depth.

Over 60 percent of the survey respondents indicated that they were likely to make Venice their primary service base if Bayou Collette Bayou, Tiger Pass, and South Pass were all dredged to more accessible channel depths.

In 2008, Port tenants are estimated to have earned over $180 million in annual operating revenues. For 2009, tenants are estimated to see a decrease in annual operating revenues to $156 million and gross earnings of $118 million.

In 2008, Port tenants made over $47 million in capital investments at their businesses and anticipated to make over $58 million in capital investments for 2009 despite anticipated decrease in oil and gas prices.

The Port is estimated to facilitate over 26 vessel trips per day in activity. Over 33 percent of this activity is estimated to be related to rig towing while another 52 percent is estimated to be related to oil and gas service activities.

The economic impacts of infrastructure and development activities at the Port stimulated $66 million and $95 million in 2008 and 2009, respectively.

The economic impacts of marine vessel investments made by port tenants is estimated to have contributed $96 million and $167 million in 2008 and 2009, respectively.

Annual operations at the Port are anticipated to have contributed $196 million and $196 million to the local and regional economy in 2008 and 2009, respectively.

The Port is estimated to have contributed between 512 to 737 jobs in construction activities over the past two years. Port tenants are estimated to have stimulated between 540 to 941 Louisiana jobs through their marine vessel investments.

Construction activities at the Port are estimated to have contributed $25 million and $36 million in wages in 2008 and 2009, respectively. Marine vessel investments are anticipated to have stimulated $29 million to $51 million in wages for the entire state.

Annual operations at the Port are estimated to support over 870 jobs per year for an average of around $45 million in annual wages.

The Port of Venice is well situated to provide continued support to offshore oil and gas exploration and production activities in both state waters and the federal OCS.

Most respondents participating in the LSU-CES survey indicated that they anticipated expanded business opportunities from opening the Eastern GOM to oil and gas drilling. Some 81 percent anticipated expanded business opportunities and close to half indicated that they had received bona fide inquiries about potentially servicing Eastern GOM activities over the past year.

The Port of Venice is one of the closest potential service bases to production areas included in recent and anticipated Eastern GOM lease sales (LS 224 and LS 213). The only other potential ports that are closer to these emerging production areas is Pensacola and Panama City, neither of which have well-established oil and gas service businesses at the current time.

Some 60 service companies are located within 50 miles of the Port and another 860 are located within 100 miles. The Port is well positioned to serve as a base of operations for many of these service companies as well as the emerging opportunities to support the development and operation of recently announced offshore LNG regasification terminals.