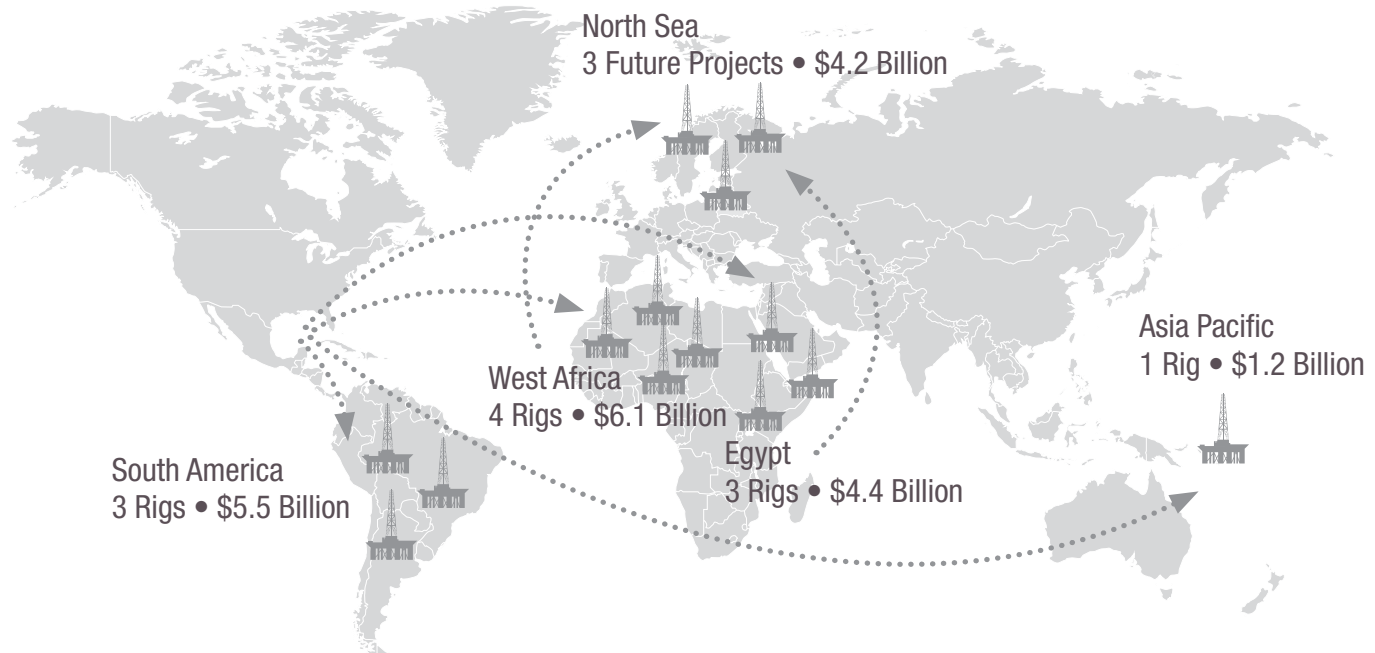


Lost Capital Investment from Rig Movements Outside of the U.S. Gulf of Mexico



\$21.4 billion in investments lost according to Quest Offshore study



Source: Quest Offshore Resources, Inc. 2011.

As a result of the moratorium and uncertainty about future permitting, 11 drilling rigs, representing 14 projects, have left the Gulf of Mexico since April 2010. These rigs have gone to countries such as Brazil, Egypt and Angola with some rigs later relocating to the North Sea—taking a cumulative \$21.4 billion of associated lost U.S. capital and operating investment with them. In addition:

- An estimated 91,000 jobs were lost as a result of the moratorium in 2011;
- An estimated \$18.3 billion of previously planned capital and operating expenditures did not occur in 2010 and 2011; and
- The EIA projects that Gulf oil production will be down more than 12 percent in 2012 over 2010.

The full study can be found at

<http://bit.ly/rVZSct>

Prepared by Quest Offshore Resources, Inc., December 2011

The State of the Offshore U.S. Oil and Gas Industry

An in-depth study of the outlook of the industry investment flows offshore



Key Findings from Quest Offshore Study

Deepwater permits in the Gulf of Mexico are currently being issued at less than half the rate compared with pre-moratorium levels, and shallow water permits are being issued at rates 40 percent lower. In 2011, the U.S. is projected to account for only 6 percent, or \$8.9 billion, of global offshore oil and gas investment valued at \$146 billion. Considering the discovered and undiscovered resources in place in the Gulf of Mexico, this figure of 6 percent is far lower than would be expected. Prior to the moratorium, the U.S. was projected to account for 12 percent of worldwide offshore oil and natural gas investment in 2011, which is much more in-line with the offshore resource base in the Gulf of Mexico.

Lost Investment and Jobs in 2010 and 2011

The effects of the deepwater drilling moratorium and subsequent permit slowdown have already reduced total capital and operating expenditures in the Gulf of Mexico by a combined \$18.3 billion for 2010 and 2011 relative to pre-moratorium plans.

Since April 2010, eleven deepwater drilling rigs have left the Gulf of Mexico. These rigs have gone to countries such as Brazil, Egypt and Angola. Through 2015, the investment in other regions instead of the U.S. associated with these rigs is estimated to be over \$21.4 billion including drilling spending and associated project equipment orders, even accounting for the portion of equipment that will likely be manufactured in the United States. As a result of decreases in investment due to the moratorium, total U.S. employment is estimated to have been reduced by 72,000 jobs in 2010 and approximately 90,000 jobs in 2011.

Putting the Gulf of Mexico Back to Work—A Return to Pre-Moratorium Permitting Rates

If drilling permits going forward were to be issued at pre-moratorium rates, the number of shallow water projects delayed could be significantly reduced from 85 under the current path to 37 over the 2012 to 2015 period, and from 48 to 9 for the deepwater.

The increased number of projects would increase investment in the Gulf of Mexico offshore oil and gas industry by over \$15.6 billion dollars from 2012-2015. This additional investment would increase average annual U.S. employment between 17,000 and 49,000 thousand jobs per year over that time period. Offshore oil production would be higher over the next decade, for example, by 2017 offshore oil production would rise by approximately 13 percent relative to its current projected path.

A regulatory environment that eliminates unnecessary permitting delays and maintains competitiveness with development opportunities in other regions of the world would provide a first step to revitalizing the offshore oil and gas industry. Additional access to offshore areas currently off-limits remains a key missing component of U.S. energy policy, and would provide substantial additional gains to the nation in terms of energy security, employment and government revenue.

The full study can be found at

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