

STUDY TITLE: History of Offshore Oil Development in the Gulf of Mexico, Phase II: Research and Synthesis

REPORT TITLE: History of the Offshore Oil and Gas Industry in Southern Louisiana. Volume I: Papers on the Evolving Offshore Industry, Volume II: Bayou Lafourche – Oral Histories of the Oil and Gas Industry, Volume III: Morgan City's History in the Era of Oil and Gas – Perspectives of Those Who Were There, Volume IV: Terrebonne Parish, Volume V: Guide to the Interviews, and Volume VI: A Collection of Photographs.

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SPONSORING OCS REGION: Gulf of Mexico

APPLICABLE PLANNING AREA: Western, Central, Eastern

FISCAL YEARS OF PROJECT FUNDING: 2003, 2004, 2005, 2006, 2007, 2008

COMPLETION DATE OF REPORT: November 2008

COSTS: FY 2003: \$363,988.97; FY 2004: \$153,139.89; FY 2005: \$32,403.93; FY 2006: \$84,570.96; FY 2007: \$66,562.96; FY 2008: \$49,333.29; **CUMULATIVE PROJECT COST:** \$750,000

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KEY WORDS: Gulf of Mexico; Louisiana; offshore; oral history; oil and gas industry; outer continental shelf

BACKGROUND: The Minerals Management Service (MMS) has sponsored and organized this study, and its motivation is in part internal. Both legally and operationally, the agency is required to evaluate and document how its activities and policies affect the communities and economies within which it functions. A comprehensive and accessible history of the evolution of the industry, and its effects on the people and institutions of the coastal economy, will assist those who are responsible for planning and managing the development of the offshore oil and gas reserves and understanding the consequences of such development on coastal institutions and the economy.

OBJECTIVES: The purpose of this project is to study, document and explain the history and evolution of the offshore oil and gas industry in southern Louisiana in an objective and comprehensive way.

DESCRIPTION: A critical element of the history of the offshore industry resides in the memories of the “old timers.” They were there. They remember how things were and how they have changed. Unfortunately, many of the people responsible for this phenomenal growth are passing away and their stories are being lost. There is a long list of innovators and pioneers from fabricators, port officials, helicopter pilots and catering crews, to divers, truckers, suppliers, boat captains and able-bodied seamen. They are all part of the growth and development of the industry. There are also civic leaders, business owners, spouses and family members who felt firsthand the impacts of this industry. Researchers have spent thousands of hours with people responsible for the offshore oil and gas industry in southern Louisiana. They recorded interviews, collected written documents, and obtained digital copies of photographs and video from the early days.

SIGNIFICANT CONCLUSIONS: Numerous interviews have been conducted with people from different sectors of the oil and gas industry. These interviews indicate that exploration can be characterized by preoccupation with risk, failure, innovation, and fortune. The exploration of oil and gas has gone from hunches and luck to the use of sophisticated technology to find prospects.

One area of change occurred when the Gulf of Mexico was hit by major hurricanes. The industry moved into the Gulf during a decade of few storms and learned the hard way that wave height and wave force could be far worse than they had predicted. While wave height and wave force were always a major consideration in the design of platforms, the industry had underestimated the size of the waves that could occur and never considered damage that could be caused by mudslides during intense hurricanes thus causing the industry to set platforms higher and to account for the force of mudslides in their design.

A second area of change occurred while the government and industry were learning to do business. It was a cooperative working relationship. Shell had secretly developed a deepwater drilling rig and lobbied the federal government to offer a larger area for leasing including acreage beyond the 300 foot contour. The Federal government agreed although it believed that there would be no bids on deepwater areas because of existing technology; however they were unaware of the new drilling technology. The sale turned out to be monumental in size and the government realized that offering large areas for lease could create millions for the U.S. Treasury. Shell was the only company that bid on the deepwater leases and Federal managers determined that they could not lease the deepwater areas because there was no competition. Consequently, Shell decided to share their technology with other companies realizing they would never have the opportunity to explore the outer reaches if there was no competition.

The offshore industry could not have progressed as it did, had it not been for the adventurous and entrepreneurial spirit of commercial divers. As soldiers returned from World War II they were able to apply what they had learned in the Navy to diving for the oil and gas industry. The risk to divers was enormous and companies operated at the margins of safety, but injuries, deaths, and expanding liability caught the attention of the oil companies. Rapidly rising insurance costs and fear of government intervention and of unionization among the divers led companies to organize the Association for Diving Contractors to develop industry standards and address safety concerns

STUDY RESULTS: The project fills a gap in the existing literature by addressing the growth and development of the petroleum industry and the related service industries in Louisiana that took exploration and development into the coastal zone and, then, into deeper and deeper offshore waters. In addition to its published reports and documents, this project is creating an organized archive of materials that can be used efficiently by other scholars and researchers. State agencies and local communities will also be able to use the materials to better understand the historical context of issues and problems of interest to them.

STUDY PRODUCTS: Austin, D., B. Carriker, T. McGuire, J. Pratt, T. Priest, and A.G. Pulsipher. 2004. History of the offshore oil and gas industry in southern Louisiana: Interim report; Volume I: Papers on the evolving offshore industry. U.S. Dept. of the Interior, Minerals Management Service, Gulf of Mexico OCS Region, New Orleans, LA. OCS Study MMS 2004-049. 98 pp.

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