

MMS OFFSHORE GULF OF MEXICO
ORAL HISTORY PROJECT

Interviewee: Chet Morrison

Date: January 29, 2007

Place: Houma, Louisiana

Interviewer: Jason Theriot

Keywords: fabrication

Bio

Bio: Houma-native Chet Morrison is the CEO of Chet Morrison Contractors (CMC). He started his company during the 1980s downturn and has integrated into marine fabrication and refurbishing, pipeline construction and transmission, diving, and international operations.

Early Career: Morrison received an engineering degree from LSU and started at Delta Services Industries in 1982. After Delta went bankrupt, he started buying assets at auctions and started his own company building platforms on his dad's property along the Intracoastal Canal. He formed CMC in 1984.

Specialty: CMC does topside and pipeline work, and construction work OCS offshore oil and gas.

Work force/other issues: The demand for work is high; however, the work pool is decreasing. CMC decided to bring in migrant workers from Mexico who are already trained and integrate them into the business.

Company significance/history: CMC takes prides in their local work force expertise, however, given the changing labor environment in the marine construction industry, CMC has gone "international" to search for and bring in skilled Mexican workers.

Tape 1, Side 1

JT: This is an interview with Chet Morrison of Chet Morrison Construction out of Houma, Louisiana, on January 29, 2007. Interviewer is Jason Theriot. This is Chet Morrison, CFO of CMC.

Introduce yourself, tell me where you're from, and how you got involved in this industry.

CM: Okay. I'm Chet Morrison. I'm from Houma, Louisiana. I became involved in this industry after graduating from LSU with a bachelor's in mechanical engineering and going to work for a company called Delta Services Industries. That was in 1982.

JT: Your father, is he in this industry also?

CM: My father's in the lumber business.

JT: Tell me about the developing of Chet Morrison Construction. How did that all come about?

CM: In 1984 Delta Service Industries, which had multifaceted work along similar lines that we do, went out of business. It declared bankruptcy. And it was a tough time in the oilfield, and what I personally did at that time was to start up my own company. I was interested in getting back into the business, but at that time the jobs were thin, there wasn't much work for the surviving companies that were still in the business, and it was capital-intensive and I didn't have much capital. So I started off doing commercial and building construction work and then moved from that sequentially through a course of asset acquisitions through auction sales and the like to go through and get into the construction business and the fabrication business and then the pipeline business. Now we're in the diving business as well, and we have some overseas work also.

JT: So the downturn in '82 and '83, that really frees up a lot of potential capital for those who are interested in going ahead and making those kind of asset investments, which is essentially what you did at that time, '84, '85. About how long of a period during that drought were you able to really see the light at the end of the tunnel, so to speak? When did it all become clear to you about your investment?

CM: Well, I think that the downturn freed up assets and it broke apart companies and it displaced workers. And I think that it was a gradual pickup from that time

forward through the course of the industry maturation and developments through the seismic work that probably was a result of increased exploration, and then the advent of the deeper water areas, the big projects, the majors doing the research. That's what brought, in my estimation, the price of oil coming back up, brought on stream larger and bigger projects and allowed entry into the market for other companies.

JT: This is the moving off of the shelf, moving a little bit deeper?

CM: And the ability to more accurately explore. Three-D seismic was a big part of that.

JT: So when you all started was it in this particular location, right here off of there?

CM: No, when I started in '83, well, it was in '84 we were—I started in the back office at my dad's lumberyard, I had an office upstairs at the back of his lumberyard. We bought a lot, a portion of this parcel that had gone through a bankruptcy in 1990. So we've been here since 1990. This was a four-parcel type—it was broken up into four parcels, had gone through bankruptcy, repossessed by the bank, and we were able to sequentially pick up piece by piece and put some infrastructure in and develop it.

JT: So you all were starting off with, I assume, platforms?

CM: We started off doing, at this location is when were able to start doing marine construction work, because we had the marine access. We were able to buy a small barge, a crane, and started doing some fabrication, doing some inland construction work.

JT: And about what year was that?

CM: That was probably in 1990.

JT: Okay, so things are starting to pick back up a little bit.

CM: Right. Things were picking up in 1990.

JT: The whole business?

CM: That's right.

JT: When did you really begin to grow and diversity in those areas that you mentioned, beginning with the pipeline and the shipping and then the overseas work? When did that all become a reality?

CM: Well, from 1990 through 1997 it was still a very tough time. I think that those were lean years, those were lean years in that the work was still heavily sought after. And I think from 1997 when we opened up the Harvey fabrication yard, Shell, one of the majors, was still in the shallow water Gulf of Mexico, they were still spending some money. They were interested in having more resources available, so they opened up some opportunities for smaller companies to rejoin the scene.

JT: Okay, so through the nineties now you've got all of your platforms, production platforms. Are you guys also building ships?

CM: No shipbuilding. All we did was oil and gas, topside, and pipeline work, and construction work in the inlet environment fabrication onshore.

JT: Okay, so it's almost invariably integrated. You've got your activity off in the Gulf and then your pipeline streaming the product back into land?

CM: Right. That's correct.

JT: Now, tell me a little bit about your international expeditions.

CM: Well, what we decided to do was to take a strategic move to do some further diversification, and what we were interested in doing was through some pre-developed relationships get into Mexico earlier on while things were—before Mexico was really hot on the scene. They were developing some—they had a big production, the big field of Campeche, and we thought that by getting in there early we could develop some international exposure and test the water, and so we did. So they are first, and then from there we sort of redirected our activities once we had some opportunities open up for us in Trinidad. And now Trinidad's probably taken the lead role in our international work. It has taken the lead role and has provided us with a platform to diversify and to also build work for our domestic fabrication units. What we do is we typically subcontract or we typically build pieces of the project here domestically and export them overseas for assembly. Not having the skill-set overseas to be able to know how to build the entire project, we were able to integrate the skill-sets onshore. That would be a proprietary-type exception that we would take right there.

JT: That's no problem at all, guys, ya'll are giving me your free time so I appreciate any information you give.

Let's talk about this, Chet. Obviously you would have had to have built some really trustworthy knowledgeable leader men and people who can jump in in the

administrative world and all of the investments that you have become involved with in the late eighties and nineties. Where did you find these people?

CM: Well, there were a lot of people on the street that became, I think that there was lack of loyalty in the clients. You saw it all the way through the producers, and then we saw it through some of the service companies, where a lot of these people that were working for these big companies were the product of cutbacks, the product of layoffs, products of synergies and the grab for efficiencies. And there was a lot of talent that was displaced and put on the street and we had a keen eye for it and we were able to pick them up as they became available. I think that the limitation, though, can't be described as administrative, I think more of the key people would be your leader men and your superintendents. Of course, after you build on your personnel, your leader men, and your superintendents, and you get your senior management in place to support that. And that, again, is what our business plan has been, to grow through good solid people, and that's proprietary also, that we wouldn't want published.

JT: And these leader men, superintendents, etc., the guys who run your yard, are all locally from this particular area, from the Houma area?

CM: I think that's another good point that you mention, Jason. I think that there were several instances where relocations occurred with companies because of whether

it be chase for efficiencies or just some other form of displacement. So typically we found that most of our talent is homegrown and not imported. So we focused on that available talent. And when they were relocated or displaced for some reason we would typically be very keen at trying to lure those folks back home.

JT: And that's a good benefit to the community, keeping people around here.

What about this? In the 1990s I realize that there was a little dip that occurred with the prices of oil and with some other political and economical situations. Were you guys at all concerned about that and how much of your experience during the turndown in the eighties has helped you and this company continue to build and to protect itself in the event that one day that the industry turn back again?

CM: Again, it's a cyclical industry and in a lot of the parts of our business there's very little barriers to entry, so we see a lot of people enter and leave the market based upon economic conditions. I think that that's been the case, we've been through a couple of downturns in the past and try to keep our debt level in line with our leverage ratios. So we have sort of a step-out type of an attitude, where we don't mind making capital expenditures as long as we can pay them back in the near term, keep our debt manageable, and our efficiencies up, and manage our business through solid performance with the customers down the road.

JT: Who are some of your bigger customers?

CM: Well, our bigger customers are now the smaller players in the market and what we see is that we've seen the transition through from the majors to the independents, or who are now the major independents, and now we're dealing a lot with the minnows in the market. And these are small companies and a lot of times they're less than fifteen or so employees and they use a lot of outsourcing and project management and they form the bulk of our business, both in—and of course, we're afforded the opportunity to do fabrication for their structures. We do the installation in some cases. We do the topside hook-up work or the plumbing work associated with that, and then we run the pipeline, as well...

JT: That's interesting you mention now that your customer base has changed from what it was in this industry twenty, thirty years ago.

CM: ...That took a lot of concentration. [laughs]

JT: What explains that, guys, you know, from the big dogs of the fifties, sixties, or seventies, it all can just suddenly pull out and say, "Well, we got a better deal in North Africa"? I mean, why is that now that your main customer base for your particular company is the smaller guys out there?

CM: Well, we work in the shallow water Gulf of Mexico and the players in the shallow water Gulf of Mexico are the ones that are doing most of the development in these areas. There's been a lot of divestitures. The smaller independents can make money with less overhead and are less susceptible to the downturns and they're willing to make capital investments and take the risk associated with smaller fines. So they're quick depleting reserves and these are left behind opportunities, do what we're seeing is more field exploitation as opposed to, and exploration, that's associated with existing infrastructure and that's the business model that these people are using and it's working out pretty well for them.

JT: Right, using a lot of refurbishing platforms, boats, you name it?

CM: Right. And that's another point. Now, you know, again, I don't know just how priority this is, but I did meet and its proprietary-type information, as well, that I'm telling you here, is that I met with the MMS and was meeting with the Houma district just Friday and, you know, our plan is to—we have done some upstream acquisitions from some of these divestitures, we started an oil company, it's based out of Houston, where we're continuing evaluating divesting-type projects, we're looking at doing some plugging and abandonment work, and we're also going at it in a fashion that is with continuity regarding the plugging and abandonment and recycling the steel, bringing it in, building an inventory and future work type.

JT: Well, that's good. I'm sure I don't have to tell ya'll this, but that's something that probably definitely needs to happen. And if your business is concentrated in shallow water, like you say, there's obviously got to be in the future, in the next five or ten years, twenty years, fifty years, it looks like that's going to be an industry that's going to sustain. What do you see as the future of that inland and in the shallow water up to the shelf for the next ten, fifteen years? How do you see this picture playing out?

CM: Well, I still think there's a tremendous amount of activity in both the new construction and abandonment work. We do a lot of work, and also we do a lot of work with our pipeline and diving business with the interstate pipeline companies, the transmission companies. So all of the work associated with the main arteries and the feeder lines I think will continue to need maintenance and care, as well as new construction through exploitation, although—and also if there is any deeper gas plays that start to develop I think those are opportunities for newer technologies that will be brought on the market.

JT: What about the storms? How did the 2005 storms affect your operation?

CM: We were strained for the storms. We had a lot of client demand, as did everyone else, and I think we're seeing that there was some—there was a lot of urgency to

get all the production back on as quick as possible and we experienced complete utilization of our entire workforce and built a workforce and built assets during that time. We already had assets under way and a capital expenditure program in place and we accelerated that program to utilize those assets that were already planned on being put into service at a later date.

JT: Tell me a little bit about your workforce, and we'll wrap it up and move on to the rest of your guys. As we mentioned before a little bit about your top tier employees, but you've got to have welders, tackers, and fitters, and grinders. Who was the labor force that you employed in the late eighties and the nineties, and are those the same people today?

CM: The late eighties and nineties, well, let's just say like in the nineties, because that's really when we got into the business, a lot of those folks shipped around, a lot of them are still working, blue-collar workers. We still have some. We still have some very loyal ones. The company's been very loyal to them, they're still around. We have very little turnover at this company from our leadership, but there are a lot of blue-collar workers that just sort of migrate along the community in the coast, but they're never very far away. They're still not a long-distance call to reach. But we have lost and had some turnover in those areas, but it'd have to be a case-by-case basis.

JT: Right. Are ya'll hurting today, 2007, for skilled employees?

CM: We are certainly in need of skilled, good skilled, dependable laborers.

JT: Is it keeping your company from potentially growing bigger? As the gentleman from the down the road, Leroy Molaison, said to me this morning, said, "I've got a hundred and thirty; I need two hundred and thirty."

CM: We're supplementing our labor force with migratory workers right now, so migrant workers. So we certainly have—it is a bottleneck for us. We do need additional workforce, but we need good, dependable, stable, long-term employees to build a solid foundation with. So have some syncing-up to do, I think, both in the market demand and the market supply, and right now you have a moving target. You have some pent-up demand that will shrink and you have some supply issues that will continue to grow because we're retiring people, you know, people are getting older. So we need youth in the business, we need a workforce; we need to grow them at home.

JT: Maybe this is a question for you guys, but what—and you can elaborate—what would be essentially your plan, if you could have a plan, on finding that pool of eighteen to twenty-one-year-old young men who were the core group of this industry twenty, thirty years ago? What could you do to stimulate them to—

CM: I'm going to defer to John on that, because we do have a plan, we do have some plans. So if I could do, let me give him the microphone.

JT: Great.

[End of interview]

