

EDITORIALS

From the Chairman

ENJOY A BRIGHT Y2K!

AS THE 20TH CENTURY winds to a close, it appears the first year of Y2K will be bright for the E&P and oilfield-service industries. The fundamentals of supply and demand for oil and natural gas have settled back to a healthy level, and OPEC is exhibiting rational behavior in managing its resources. The contract-drilling industry is expected to reap much of the benefit of this "pop back" in demand, to borrow a phrase from **Len Paton**, Managing Director-Global Oil & Gas Group for **Chase Securities**. Len and several other outstanding industry analysts drove home that point again and again at our 1999 IADC



Bernie W Stewart, Chairman

Annual Meeting. If you missed it, you missed an excellent program of thought-provoking and even provocative speakers.

First of all—and of prime importance to land and Gulf of Mexico Shelf drillers—gas is back! This promises to lay the groundwork for this recovery from the onshore and GOM Shelf sectors, a big change from the deepwater-driven 1997-98 cycle.

Demand for natural gas is increasing steadily, while depletion of new reservoirs is also rising. New drilling is barely keeping pace with production, much less adding new reserves. Reserve addition is faltering, even as operators dedicate increasing amounts of CAPEX to augment their holdings. According to data presented by **Matt Simmons**, President of **Simmons & Co International**, 20 "best in class" producers increased CAPEX by 50% between 1996 and 1998. This includes spending for acquisitions, as well as for exploration and development. For all this heroic effort, though, combined production for these companies actually fell during that time by 400,000 boe/day, a 1.7% decline.

On a global basis, world hydrocarbon depletion is running at 10% per year or more, Matt said.

Much more drilling will be required to offset this alarming trend. In fact, Matt predicted, "The first decade of the 21st Century will see the largest explosion of drilling activity since the industry began."

The long-term viability of US reserves is a big concern, though. This was outlined by **George Littell**, Partner in the respected analyst firm **Groppe, Long & Littell**. George's track record is pretty hard to beat. Many months ago, to give an example, he was predicting exactly the commodity resurgence we see today.

George told us that production for all major US producing areas has peaked and begun to decline. For the Gulf of Mexico Shelf, for instance, gas production peaked in '97 at about 15.5 Bcf/day and deliverability is now in steep decline.

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Also of great concern is the decimated state of our drilling industry. As **Matt Simmons** points out, the age of the fleet is increasing dramatically.

Beyond the equipment issue lies another bottleneck—our chronic personnel challenge. Our industry geared up with people in '97-'98, only to be confounded by the unexpected downturn. Fortunately, many contractors took decisive action to retain key personnel, even if it meant some short-term financial pain. Now is the time to show that our industry can rise to the occasion and provide value not just to our stockholders, but to an expanding base of loyal employees.

We face growing pains in the 21st Century that will surely keep us busy. After this last year of struggle, though, we face our Y2K destiny with relish!

IT'S BEEN A GREAT YEAR!

It's been an honor to serve as IADC Chairman for the last year of the millennium. Ironically, the oilfield economy during my tenure has been about as diverse as any our industry has experienced—sort of a millennial economic microcosm.

IADC will also celebrate its 60th birthday in Y2K. As my term draws to a close, I leave the Association in the capable hands of my successor **John Irwin** of **Atwood Oceanics**. John is a longtime contractor with US and multinational experience. I wish him a productive 2000, and the IADC a happy birthday! ■

From the President

UNSUNG HEROES? NOT THIS TIME!

I'VE ALWAYS believed the unsung hero is the greatest hero, whose feats above and beyond the call are driven not by a thirst for glory, but simply for the greater good. Very often, this describes the work of volunteers in public service. The many drilling professionals who labor quietly behind the scenes to produce a better industry fit neatly into this category, as well. While service may be its own reward, it's always nice—and refreshing!—to receive recognition for one's efforts. IADC volunteers and professional staffs received such just recognition recently for their work in promoting offshore safety.

Our Association was commended by the **US Coast Guard**, **US Minerals Management Service** and the **National Research Council**.

In their letter of commendation, the chief executives of these agencies recognized IADC for our "significant safety achievements and continuing dedication to the safety of life at sea.



Lee Hunt, President

"Your attention to safety stands as a worthy and beneficial example to all companies operating offshore, and we applaud IADC's attention to the health and welfare of the men and women who work in the marine environment."

At our recent IADC Annual Meeting in Houston, MMS Director **Walter Rosenbusch** had similarly kind words for our volunteer-developed WellCAP curriculum, calling it a "very timely standard". Thanks to our solid relationships with agencies like MMS and the USCG, the great heroes of our industry are for once not unsung. ■