



The APInion

Editor: Erik Rike

OIL AND GAS OPPORTUNITIES ARE STILL THERE

The North Sea didn't die when they predicted it was over; the GOM has revived after they said it was dead; the industry has found profit even with \$13/bbl oil. And the future will bring more oil and gas supplies, more energy demand, more competition, more change, more technical breakthroughs, more political complexity, more energy use efficiency, and yes, more opportunity, said John Kennedy, Editor of the *Oil & Gas Journal*, at the joint meeting of Delta Chapter API, IPAA, and SIPES in November.

The year 1998 started with all the wrong things happening at once: OPEC raised quotas; Asian demand weakened; world supplies increased; weather was warm in the northern hemisphere; and Iraq came on-stream with double previous rates. "How could oil price not fall?," said Kennedy. Asian oil demand in 1998 is about 2% less than in 1997, whereas it had been growing at 5-6%. So rig counts go down, profits decline, stock prices get hammered, and layoffs are announced again. How long will low prices continue? Most say at least 12 months, and others say 2-3 years.

John guaranteed that oil prices will improve in the next few months. He

wouldn't offer whether they would improve for the buyer or the seller, however. "That's more difficult," he said. He put in perspective the future by noting that in 1952, the world used 4.5% of its proven conventional oil reserves; in 1980, it used over 3%; in 1997, consumption was only 2.5% of proved conventional reserves. We consume more, but we find even more, and the price goes down, and the standard of living goes up. Americans officially classified as "living in poverty" today can purchase a better diet than European royalty could some 200 years ago.

Current proved recoverable conventional crude reserves are about 1 trillion barrels. Adding heavy oil, tar sands, coal bed methane, and enhanced oil recovery may multiply that 3-4 times more. So John says we are nowhere near "running out of oil," as some pundits have said for the last 70 years and continue to say.

Kennedy's take on the IMF funding bailout for Asia, etc., is interesting. He believes that governments as well as companies take excessive risks if they think they can depend on a bailout. He likens IMF funding to foreign aid,

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API CHAPTER MEETING

Holiday Inn
Superdome
330 Loyola Avenue
11:30 a.m.

Wednesday,
January 27,
1999

Installation of Officers

API Meritorious
Service Award
Presentations to Bill
Linder (W.H. Linder &
Associates) and Dave
Welch (Amoco)
(details on back cover)

Cash Bar

Cost: \$20.00 per person

Phone Martine by noon,
Monday, January 25, 1999 for
reservations: 529-3630

(After deadline, accommodations
cannot be guaranteed.)

Chairman's message: In a word - CHANGES

Here we are rushing into another new year, the final year of the 20th century and in anticipation of the 21st century. We are inundated with changes all around us. Change in itself is not necessarily bad. Change does present opportunities and challenges which are a call for people to step up to meet. Myself included. I began my chairmanship a month prematurely when Sandy Andrew announced his business decision to seek opportunities in Wyoming in lieu of here in Louisiana and the Gulf of Mexico. We wish Sandy well. He will be missed by those with whom he worked at TDC Energy and by the API Delta Chapter.

Certainly, Tulane's football team finishing their season with a 12 - 0 record is a good change. Tulane losing it's coaching staff and talented senior members will present challenges for the new coaching staff and players on next year's team.

Service companies and Operators alike are consolidating in the name of efficiency. Reading & Bates merged with Falcon Drilling, Nabors Drilling acquired Sundowner Offshore and has commenced negotiations to acquire Pool Offshore, Parker Drilling acquired Superior Energy Services, BP acquired Amoco, Exxon acquired Mobil, and the list goes on. With each merger or acquisition comes a reduction of duplicated staffs. And in some cases, companies are closing facilities completely and moving the 'chosen' to a new office.

While consolidation of staffs and reduction of duplicated personnel are changes which may improve the short term corporate bottom line, we should all reflect where the true changes in our industry come from. The very minds filled with imagination daring to think 'out of the box' are the roots of true change. I fear those very minds are currently distracted with the frenzy of consolidations disrupting the flow of energy towards imagination, research and development.

Closer to home, the API Delta Chapter has also embarked upon some changes of its own. Our General Membership meetings will now be held on a quarterly basis in lieu of every other month. Each meeting will target a different API Delta Chapter focus.

The January meeting will pay tribute to two very special individuals with the presentation of Meritorious Service Awards for their contributions to our industry. Please plan to attend as we recognize Mr. Bill Linder of W. H. Linder & Associates, and Mr. Dave Welch of Amoco (now BP Amoco). Both of these gentlemen have been advocates of

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API Board Members 1998

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OPPORTUNITIES *(continued from page 1)*

which has been described as “taxing poor people in rich countries and giving the money to rich people in poor countries.” But he’s confident that the emerging economies will finally recover and will fuel the fastest growth in energy consumption.

John describes today’s oil markets as “global, transparent, and volatile.” They react quickly to supply and demand changes. But companies remain profitable through outsourcing, alliances, acquisitions, privatization, deregulation, and political freedom. Oil and gas companies sell electricity, join hands with competitors, make diesel from gas, create new hamburgers and make engineers and geologists speak to each other. Enron is in the global water business. Authors Yeargin and Stanislaw say, “...there has been a fundamental shift in the balance of confidence—declining faith in the competence of government, offset by a renewed appreciation of the workings of the market,” quotes John.

And of mountainous importance are advances in **technology**, like 3-D seismic, deepwater drilling, and horizontal wells. John cites Exxon’s report of an 85% reduction of oil and gas finding costs over the last 10 years. Producing costs have dropped 45%. We had, for the first time in 10 years, an increase in oil reserves of 2.4% last year. This requires a new perspective on traditional indicators such as rig count. It simply takes fewer rigs to do a better job than it has been done in the past.

Politics will continue to be a problem, says Kennedy. Groucho Marx once said, “Politics is the art of looking for trouble, finding it, misdiagnosing it, and then misapplying the wrong remedies.” European governments are moving “center-left” with proposals for higher energy taxes. Human rights and ethics require local involvement.

Environmental issues like global warming may have more influence than any of the others. There are three fundamental questions that often get ignored:

- Is the earth really warming?
- If so, is it a result of man-made greenhouse gas emission?
- Would warming be a bad thing?

A smart politician in the future may embrace global warming since CO₂ increase will speed up the growth of food and forests. Plant productivity in a CO₂ enhanced atmosphere will reportedly increase by 32%. One thing is certain—the issue will generate a global bureaucracy that will flourish for decades.

Are opportunities still here in the USA? Kennedy says, “You bet!” Richard Nehring in the *Oil & Gas Journal* says, “The effects of innovation are overpowering those of depletion,” and he proves it statistically. More than 92% of the petroleum produced in the USA during the 1990’s has been replaced with new reserves. Reserve additions per well have jumped 4-fold since the early 1980s. Additions per foot have tripled. It takes fewer rigs, fewer bits, and fewer wells.

NEW API UPSTREAM COMMITTEE

(From API’s Exploration & Production Department, November 1998)

The new API Upstream Committee held its first meeting in San Francisco in October. The committee is chaired by Jack Little, president and CEO of Shell Oil Company. Vice-chairman is Peter Robertson, president of Chevron USA Production Company. The Upstream Committee provides leadership for the industry to help meet the nation’s energy needs by finding, developing, and producing oil and natural gas in a safe, efficient, and environmentally responsible manner. The committee establishes priorities, approves policy and strategy, and determines resource requirements for API’s upstream programs.



John L. Kennedy, Editor-in-Chief, Oil & Gas Journal, speaks at November meeting

So John concludes that the big picture is bright. We’ll see lots of real big problems, which often become real big opportunities. But note that the oil and gas business has:

- Sixty-six percent of the world’s energy market
- Billions of customers who want more, with more choices
- A vast array of new opportunities
- A proven ability to solve any technical or market problems and not only survive, but grow and prosper

1998 API GOLF TOURNAMENT HOLE SPONSORS

Company	Hole Number	Event
Baker Hughes	12 T-Box	Food & Drinks
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OSCA, Inc.	15 Green	Food & Drinks, Closest to Hole—2 nd Shot
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Cudd Pressure Control	7 T-Box	Food & Drinks, Longest Drive
Tidewater Marine	14 T-Box	Food & Drinks, Longest Drive
Magnum Mud Equipment Co.	2 T-Box	Food & Drinks, Closest to Hole
Helmer Directional Drilling Co.	11 Green	Closest to Hole
Tube Alloy	14 Green	Food & Drinks, Longest Putt
Halliburton Energy Services	5 T-Box	Food & Drinks
Cardinal Services	13 T-Box	Food & Drinks
Dowell Schlumberger	8 Green	Drinks, Closest to Hole
Wedge Wireline	18 Green	Food & Drinks
Radiofone	1 T-Box	Pictures
Derrick Equipment Co.	12 Green	Drinks, Longest Putt
Sii/M-I/Swaco	17 Green	Drinks, Snacks, Closest to Hole
Dresser Industries	3 T-Box	Food & Drinks
Dailey International	16 Green	Drinks & Snacks, Closest to Hole—2 nd Shot
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THANKS AGAIN TO OUR GOLF "ANGELS"— 1998 API GOLF TOURNAMENT HOLE SPONSORS!

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THANKS AGAIN!

Once again, Delta API Chapter wants to extend our sincerest gratitude to all of our Corporate Sponsors and Hole Sponsors for their support of our 1998 Golf Tournament. It is with your continued support that this tournament remains most enjoyable and allows us to support and recognize excellence in education.

DOE INITIATIVES

(From API's Exploration & Production Department, December 1998)

API President and CEO Red Cavaney has written to DOE Secretary Bill Richardson outlining possible ways DOE could help the industry cope with the current economic situation. These include filling the Strategic Petroleum Reserve via a royalty-in-kind program, promoting a workable crude oil valuation rule, supporting various kinds of tax relief and backing a wide range of other short and long-term initiatives. At a minimum, Cavaney said, government policies should "do no harm."



Check for \$3,000 from API presented to Louisiana Children's Museum

- January 20, 1999
Board Meeting
- January 27, 1999
General Meeting
- February 24, 1999
Board Meeting
- March 17, 1999
Board Meeting
- April 21, 1999
Board Meeting
- April 28, 1999
General Meeting
- May 19, 1999
Board Meeting
- June 16, 1999
Board Meeting
- July 21, 1999
Board Meeting
- July 28, 1999
General Meeting
- August 18, 1999
Board Meeting
- September 15, 1999
Board Meeting
- October 20, 1999
Board Meeting
- October 27, 1999
General Meeting
- November 10, 1999
Board Meeting
- December 15, 1999
Board Meeting
- January 19, 2000
Board Meeting
- January 26, 2000
General Meeting

PRESIDENT'S MESSAGE (continued from page 2)

change. Not just for the sake of change, but for the opportunity to make positive impacts in both our professional and civic communities.

The April meeting will focus on education. For thirteen consecutive years your API Delta Chapter has recognized the untiring efforts of our public school teachers in Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, and St. Tammany Parishes. This year, we will have contributed over \$85,000 in awards to area teachers. In addition to having the individual teachers present, we have a guest speaker(s) which will be of common interest to our guest teachers and to our membership as parents.

The summer is traditionally a quiet time for most professional organizations. Wanting to fill that void, for July, we are planning a less formal social gathering of membership. Plans are in the making for a crayfish boil

with the opportunity for a variety of vendors to set up displays of their products. This will also provide a good kick-off for promoting the '99 API Golf Tournament.

In the fall, we hope to again hold a joint meeting with one or more other organizations at our October General Meeting.

On behalf of the API Board of Directors, we look forward to your attendance at the January 27th General Meeting as well as increased participation in the activities of the Delta Chapter throughout the year. We plan to solicit your help to enhance the role of the API Delta Chapter in also making those changes which benefit us all.

Don Sustendahl

API DELTA CHAPTER SPONSORED TRAINING

Fabrication, Inspection & Maintenance of Pressure Vessels

(presented by Rike Service, Inc.)

February 8-12, 1999

Special API Chapter Tuition: \$840
Contact: Anne Marie Stephens at 827-0161

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(presented by Rike Service, Inc.)

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Volunteer for Committees?

- Education
- Community Relations
- Industry Affairs
- Golf Tournament/Fund Raising

YOUR HELP IS NEEDED!

All call for volunteers to assist in planning and implementing the first API Super Science Saturday

**January 30, 1999
10:00-2:00
Louisiana Children's Museum**

Give a little of your time, talent and/or expertise to make science come alive to the children of our community. Super Science Saturday will expose children to the fields of engineering, earth and environmental sciences, and the local petroleum industry.

Children will leave Louisiana Children's Museum on January 30, 1999, with Kid Scientist Diplomas, Polaroid shots receiving their "graduation diplomas" from the API volunteers, and receive booklets which will include Petroleum Careers Fact Sheets and Safe "Kitchen Science Experiments to Perform at Home."

Would you give an hour or two of your time (and bring your children or grandchildren with you) to help with a hands-on Science Fun Day?

Call Katrina Turillo at LCM today to volunteer—586-0725, ext. 214, or call any API Delta Chapter Board member to offer your services.

STANDARDS IN RUSSIAN

(From API's Exploration & Production Department, December 1998)

To help enhance international use of API standards, the Institute now includes Russian translations of selected API specifications and recommended practices in its 1999 Publications, Programs and Services Catalog. The Russian Oilfield Equipment Manufacturers Advisory Center, an API Cooperative partner, translated the material.

STATISTICS IN BRIEF

(From API's Exploration & Production Department, November 1998)

October 1998 data confirm that, with continued economic expansion and substantially lower retail prices, gasoline demand in recent months has grown more than last year. Deliveries since June have averaged 2.8 percent higher than one year earlier. This is more than a full percentage point greater than annual growth in 1997.

API MERITORIOUS SERVICE AWARD PRESENTATIONS TO BILL LINDER AND DAVE WELCH

API Chapter
Meeting
Holiday Inn
Superdome

Wednesday,
January 27
11:30 am

Our January 27 General Meeting will feature our 2 API Meritorious Service Award Honorees, Bill Linder and Dave Welch. After receiving their awards, Bill and Dave have agreed to address the membership.

Bill Linder might give us some unique perspectives on national politics, since he ran for the U.S. Senate in 1996. A civil engineer, Bill founded W.H. Linder & Associates in 1981. They design topside facilities for very deep offshore platforms in the Gulf of Mexico. His firm has over 200 employees and generates annual revenue in excess of \$16 million. Linder worked 10 years for Shell and 8 years with another consulting firm before founding his own company. He founded 3 other businesses, since sold to the managers in each case.



Dave Welch is President of Amoco—Gulf Group (at least until the merger is completed). Dave is a native

New Orleanian, attending LSU, followed by a doctorate at Tulane, where he taught for a year. Welch worked for MMS, Scientific Software, and completed a leveraged buyout of a privately held company prior to joining Amoco.

Be sure to call in your reservations by January 25!



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