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## SPECIAL EDITION NOIA FALL MEETING REVIEW OCTOBER 18 - 20

*NOIA's mission is to secure reliable access to the nation's valuable offshore energy resources in order that they may be developed, produced and supplied in an environmentally responsible manner.*

## NOIA MEMBERS MEET IN SCOTTSDALE, ARIZONA

October 18 – 20 marked the occasion of the NOIA Fall Meeting, and representatives from member companies gathered at the Phoenician Resort in Scottsdale to explore a number of the key issues facing the industry at this time. Speakers educated the participants about topics ranging from the 2008 presidential elections to the dearth of engineering students currently being trained to fill vital roles in the petroleum industry of the future.

### General Speakers

Anchor **Stuart Varney** of the newly-formed Fox Business News Channel opened the NOIA meeting with a talk that centered on four principal observations. Together, these are the macro-trends that Varney says will define the current business environment for the next several years.

First, Varney called attention to the positive state of the United States economy, characterizing it as the “greatest story never told,” with three percent annual growth in GDP over each of the last fifteen years. Varney attributes this continued growth to Americans’ readiness to embrace new technologies, citing as an example the higher ratio of personal computers for every hundred people in this country versus other developed nations.

Then Varney noted that we are currently in a sea change, moving from a society with an emphasis on wealth creation into one that focuses on wealth distribution.

Varney noted that there is an increasing gap between the wealthiest Americans and the population at large, and this will inevitably lead to political pressure for higher taxes and/or increased regulation.

Third, Varney stated that we still have not come to grips with the full implications of globalization. This phenomenon is about more than manufactured goods; it relates increasingly to services as well.

Finally, Varney explained that demographics is the single largest challenge facing the United States, and indeed the world. In the developed world, populations are shrinking and growing disproportionately older. This results in fewer workers to sustain the benefits for expanding populations of retirees. This is more pronounced in Europe and Japan, but is having an effect in the United States as well.

Time Magazine Assistant Managing Director **Michael Duffy** used his inside-Washington knowledge to handicap the 2008 presidential election so far. Duffy argued that this election will see the up-ending of many of our traditional conceptions of Republican vs. Democrat. Each party is fielding candidates who seem to behave more like members of the opposition.

For example, Duffy points out, Democrats are leading the race in both opinion polls and fund-raising. Also, this time around it is the Re-

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Stuart Varney of the new Fox Business News Channel.



Michael Duffy, Washington Editor, Time Magazine

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publican base that is more docile and less engaged. Additionally, it is the Democrats who are actively reaching out to faith-based constituencies while the Republicans often seem more agnostic than activist.

Duffy offered his prediction that the race will ultimately come down to Clinton for the Democrats and Giuliani for the Republicans. Duffy sees Clinton's most likely choice as Vice Presidential candidate to be Evan Bayh of Indiana, with Mike Huckabee of Arkansas as a strong likelihood for the Vice-Presidential slot on the Republican ticket. Duffy expanded his predictions from just the Presidential contest too, indicating he believes the Democrats could pick up as many as six to ten Senate seats and ten to twenty House seats.

Dr. Bob Arnot, physician, global correspondent and host of the new show "Dr. Danger," shared his experiences reporting from the front lines of conflicts around the world. Arnot sees the deployment of humanitarian aid as a vital tool in winning the war on terror because it showcases the positive side of American engagement.

Delivering that aid, however, has taken him into danger many times. Ranging from tales of taking fire while on board army helicopters to helping cancer-stricken Iraqi children escape the war zone to get treatment in Jordan to being present at the toppling of Saddam Hussein's statue in Baghdad in 2003, Arnot's stories paint a grim picture of life on the frontlines of the war against terrorism. Arnot concluded with his assertion that, despite the misinformation out there, the United States

really can win the war in Iraq by allowing the military to act without political second-guessing and by remaining committed to providing humanitarian assistance wherever possible.

Former presidential candidate, political analyst and author Patrick Buchanan provided a political analysis that looked both at the remaining years of the Bush presidency and at the prospects for the 2008 elections.

Buchanan began by arguing that the current low approval ratings for the Republicans have more to do with personal dislike for the President, rather than a wholesale rejection of the party's policies. Specifically, Buchanan cited two problems with the President. The first is clearly the Iraq War and its growing unpopularity. Buchanan called the war effort "unnecessary" and "a historical mistake." The second area of contention is immigration. Buchanan is strongly opposed to the President's efforts at immigration reform, commenting that the "Southwest is already going back to Mexico." This, in Buchanan's estimation, is dramatically changing the nature of the nation.

Moving to the 2008 elections, Buchanan complimented Senator Hillary Clinton for having run a flawless campaign so far, but argued that she lacks spontaneity and may find herself increasingly challenged by Senator Barack Obama's charisma and money-making prowess. On the Republican side, Buchanan stated that whoever wins Iowa will ultimately walk away with the nomina-

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NOIA STAFF

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President

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tion, and that currently Mayor Rudy Giuliani and Governor Mitt Romney are the favorites.

### Industry Speakers

Assistant Secretary of the Interior **Stephen Allred** spoke to the members about the role of the oceans in energy development. Allred began by coaxing the audience to become more active in selling the industry to the general public. He argued that we fill a vital national need and that most voters do not understand the complexity that drive energy policy.

Allred also provided an overview of domestic production, noting that crude oil production in the Gulf appears strong, especially given the success of the last lease sale. By contrast, however, domestic natural gas production continues to plateau and even decrease. This production situation stands in contrast to a global demand forecast that rises inexorably. Clearly, new approaches and additional energy sources will need to be developed.

Turning to the 2007-2012 5-Year Plan, Allred explained that the Plan is being challenged in court by the Center for Biological Diversity on the grounds that it did not adequately assess environmental conditions in the areas considered for leasing. This is a harbinger of things to come, explained Allred. Companies were warned that offshore activity in the future is likely to gain reater scrutiny than it has historically. Allred spent some time discussing alternative uses of the Outer Continental Shelf (OCS) as well. The Interior Department is

busy developing regulations for alternative energy production on the OCS from wind power, wave power, tidal and currents, etc. Allred noted that bringing new technologies like this online will be expensive but necessary.

Allred concluded by reaffirming that the Department of the Interior is working hard to ensure the American people get a fair return on the use of the OCS for energy production, whether from traditional oil and gas or from new alternative sources.

**Geoffrey Orsak**, Dean of the School of Engineering at Southern Methodist University, spoke about the current state of engineering education at U.S. colleges and universities. Orsak argued that globalization increasingly shows us that our current system of education is woefully inadequate to meet the demands of the future. Quoting from the recent study by the National Academies of Science, *Rising Above the Gathering Storm*, Orsak pointed to the fact that American high school students are in the bottom percentiles for science and math. This translates into decreasing enrollment at undergraduate and graduate schools of engineering. This then leads to the situation faced by the energy industry, where the population of skilled workers is declining every year.

Part of the problem, according to Orsak, is that schools today look exactly like they did 40 years ago. A culture of protectionism has led to stagnation and a system that discourages innovation. Innovation, however, is

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*Dr. Bob Arnot, Foreign Correspondent and Bestselling Author*



*Pat Buchanan, Author, Political Analyst and Commentator*



*Stephen Allred, Assistant Secretary for Land and Minerals Management, U.S. Department of the Interior*



*Dr. Geoffrey Orsak, Dean, School of Engineering, Southern Methodist University*

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exactly what we need to instill in students for them to become interested in science and engineering.

Orsak suggested that schools adopt a market-based approach. We might as well try something different, Orsak argues, because doing nothing is clearly costing us. One suggestion is to change the definition of “basic” education so that it doesn’t end at 12<sup>th</sup> grade, but instead goes to “16<sup>th</sup> grade.” Orsak concluded by calling for massive re-investment in the key technology of the future – human capital.

The Government Affairs Committee sponsored a session with **Randall Luthi**, Director of the Minerals Management Service (MMS), took the opportunity of being at the NOIA meeting to introduce himself to the membership and to lay out his vision for the remaining 14 months of the current Administration. Luthi described a world of rising energy consumption that is being outpaced by our ability to provide new supply. Luthi explained the benefits of making more acreage on the Outer Continental Shelf available for exploration and production to close this gap.

Speaking specifically of the Gulf of Mexico, Luthi highlighted the recent high interest in the Gulf, as evidenced by the tremendous activity at the last Lease Sale. Luthi pointed out that this indicates that the energy resources are present, but that they are going to be quite expensive to produce. The days of cheap oil are over.

Moving to other parts of the OCS, Luthi discussed future possibilities of opening up additional areas, such as off the coasts of Georgia and South Carolina. This will likely require further discussions of revenue sharing with the states and local communities.

Luthi also touted the significant work that the Minerals Management Service has been doing on environmental studies. The agency is building a body of research on deep water currents, artificial reef structures, and marine mammals.

Finally, Luthi talked about the alternative uses of the offshore and the Programmatic Environmental Impact Statement that was released soon after his talk to the NOIA membership. (See the last issue of the *Washington Report* for details.)

### Committee Sessions

The **Health, Safety, Security and Environment Committee** session was devoted to a presentation by *NOIA Safety in Seas Award* winner Shell, wherein they detailed all the work that was done to repair the Mars platform after the devastation of Hurricane Katrina. Despite having to operate in a high-risk environment, with a diverse staff comprising many different nationalities and native languages, Shell was able to conduct over 1 million man/hours of work safely. There were no fatalities, 55 cases of first aid treatment for minor injuries, and not a single medical treatment case (requiring transfer to a doctor’s care.) Over the months of work, only 2.75 gallons of oil, 3 hard

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hats, and one fire safety blanket were accidentally spilled into the water. The Mars platform is now back to full production.

The **Public Affairs and Education Committee** featured a presentation by Virgil Allen, President of the International Petroleum Museum in Morgan City, and Monte Markham, President of Perpetual Motion Films. The two have partnered to create a series of television shows about the energy industry. The overall aim is to profile the technological complexity and spirit of innovation that exists in the offshore industry so that it can be communicated to the public-at-large. Markham is a veteran both in front of and behind the camera and recently produced an hour-long special on platform decommissioning that worked with a number of NOIA member companies.

The Technology Policy Committee was chaired by Joe Wilson, Senior Vice President for Natco Group. The committee received a report on the Department of Energy's ultra-deepwater research and development program from Tom Totten of J. Ray McDermott. NOIA nominated Tom to the Secretary of Energy's federal advisory committee on this subject, and he represents our interests on that committee.

The ultra-deepwater research program was set up by the Energy Policy Act of 2005, and provides grants for research and development projects. Tom provided an overview of the program, and explained that the Secretary's advisory committee makes recommendations on priorities for

the program and on the annual plan. Included in the committee's advice during 2007 was guidance to provide more emphasis on achieving research and development breakthroughs, to target projects likely to achieve a significant increase in value, to rank potential projects and limit awards to those that are the most highly rated, to provide an enhanced focus on environmental issues, and to assess likely benefits of efforts to capture additional resources in areas not open for access.

Tom concluded by providing the NOIA membership with information on how to respond to ultra-deepwater research and development solicitations. If you'd like more information on the ultra-deepwater program or committee, please go to the Department of Energy's website at <http://www.fossil.energy.gov/programs/oilgas/advisorycommittees/UltraDeepwater.html>.

If you have any questions about the NOIA Meeting, please contact us at (202) 347-6900.

# NOIA FALL MEETING: OCTOBER 18-20 SCOTTSDALE, AZ



*Burt & Jodi Adams, Allis Chalmers Energy; George Boyadjieff, Varco International Retired*



*Bryan & Cindy Dedeker, Bender Shipbuilding & Repair Co.*



*Allen & Sarah Parks, Parks Paton Hoepfl & Brown; Cheryl & Dave Lawrence, Shell Exploration & Production Co. B.V.*



*Bob Potter, FMC Technologies, David & Donna Barr, Baker Hughes Incorporated*



*Richard Higham, Acteon Group Limited; Diane & Les Boswell, US Steel Tubular; Bill Robinson, J. Ray McDermott*



*Bruce Gresham, Heerema Marine Contractors; Greg Rhodes, Mustang Engineering; Darrell Hollek, Anadarko Petroleum Corp; Melody & Kim Meyer, Chevron No. America E & P.*

## NOIA FALL MEETING: OCTOBER 18-20 SCOTTSDALE, AZ



*George Fowler, Fowler Rodriguez; NOIA Vice Chairman, Dean Taylor, Tidewater Inc.*



*Becky & George Banos, Edison Chouest Offshore; Adana Paton, PPHB*



*Tom Young, Deep Gulf Energy; Marie & Doug Polk, VAM USA.*



*Bill Flores, W & T Offshore; Quinn Hebert, Cal Dive International; Jerry Schlieff, ATP Oil & Gas*



*Darlene & Cappy Bisso, Bisso Marine Co.; Trish & Brady Como, Delmar Systems.*



*Dick & Sherri Alario, Key Energy Services; Jim Looke, Walter Oil & Gas*

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## SCOTTSDALE, AZ



*Jackie Higham, Acteon Group Limited; Barbara Markum, PenWell; Marti Powers, BP America, Inc.*



*Marit & Dane Broussard, TETRA Technologies*



*Randy Stilley, Hercules Offshore; Sten Gustafson, UBS Investment Bank*



*Tom Wertz, M-I Swaco; Jeanne & Peter Kinnear, FMC Technologies*



*Candace & Jerry Schlieff, ATP Oil & Gas*



*Begona & Steve Landry, Pritchard Capital Partners*

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*Paul Kelly, Rowan Companies; Al Gonsoulin, PHI Inc.*



*Marlane & Chris Orth, Tidewater Inc.*



*Suzanne & Bob Potter, FMC Technologies; Cathy & Jerry Gauche, National Oilwell Varco*



*Kathy Brown, Smith Services; Carl & Lois Davis, Davis-Lynch Inc.*



*Richard & Mathilde Currence, Rigdon Marine*



*Tom & Mary Bates, Lime Rock Partners; Annette & Knut Eriksen, NATCO*

# NOIA FALL MEETING: OCTOBER 18-20 SCOTTSDALE, AZ



*Ann & Louis Schneider, Edison Chouest Offshore; Paul & Melissa Doyle, Fairways Offshore Exploration*



*Doug Otten, Nexen Petroleum; Jodi Adams, Allis Chalmers Energy; Glenda Otten, Nexen Petroleum; Burt Adams*



*Nolan Roberts, Cameron; Pat Bond, Weatherford International*



*NOIA Chairman, Larry Dickerson, Diamond Offshore Drilling; Dave Welch, Stone Energy Corp.; Tom Fry, NOIA*



*Ross & Diane Keogh, Petsec Energy*



*Liz & Will Franklin, Line Rock Partners; Patti & Billy Guice, Rigdon Marine*

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Howard & Becky Hughes, Karen & Gilbert Nance, Oil States Industries



Jeff & Roxanne Scott, SEMPCheck Services



Cornelius Dupré, Dupré Interests; Melba & Ronnie Murphy, Venture Transport Logistics



Allan & Cindy Taylor, Oil States; Bob & Alison Hogan, AmerCable Incorporated; Annette & Billy Greeson, Schlumberger



Toby & Paul Mogabgab, EDG, Inc.

MARK YOUR  
CALENDAR:  
**NOIA ANNUAL  
MEETING**  
**MARCH 12 - 14, 2008**

WASHINGTON, DC

## NOIA FINANCIAL POSITION REMAINS STRONG; REVENUE EXCEEDS EXPENSE

NOIA Treasurer, Allen Parks, Partner, Parks Paton Hoepfl & Brown chaired the meeting of the Finance Committee.

The committee reviewed a detailed presentation Parks had prepared outlining the association's financial position to date with projections to 2008. The presentation also included the proposed budget for 2008 which the committee approved and sent forward to the Executive Committee and Board of Directors where it also received approval.

There was discussion about the fact that over 40% of 2007 dues payments have been late. Parks pointed out that that made it

very difficult for NOIA management and staff to effectively project and monitor income versus expense and plan program activities to best utilize member's dues dollars.

Barring any unforeseen circumstances the association's financial position is projected to remain robust and investments will continue to meet the Board mandated position of having at least one year's operating expenses in reserve.

Copies of Park's presentation, all Financial Statements and the 2008 budget detail are available to all members and can be obtained by calling the NOIA office.

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## MEMBER DEVELOPMENT RESULTS EXCELLENT FOR FIRST THREE QUARTERS OF 2007

The meeting of the Membership Committee was chaired by David Lawrence, Executive Vice President, Shell Exploration & Production Company International.

Member development results for the first three quarters of the year were reviewed with the following items worthy of note:

- 13 new members with new revenue of \$119,470
- 10 voluntary dues increases for additional revenue of \$106,300
- 5 dues decreases representing a loss of \$31,900
- 1 membership cancellations due to non payment of dues for a loss of \$20,000
- 5 mergers resulted in an additional loss of \$89,300

- The net result for the year to date is a gain of \$84,570

Dues collection at October 15 had reached 99% of our targeted goal. Lawrence pointed out that over \$100,000 in 2007 dues remain outstanding. He encouraged all who had yet to pay their dues to do so as soon as possible.

A reminder that all members of NOIA are, in essence, part of the Membership Committee. If you know of anyone who should be encouraged to join with us in our work on behalf of the industry, please contact them, or call NOIA Director of Member Development, Franki Stuntz, for any assistance you may need.