

EDITORIALS

From the Chairman

LOOKING AHEAD WITH OPTIMISM

ONCE AGAIN OUR industry is facing a near-term decline. A year ago commodity prices were moving toward their all-time highs, rigs were going back to work, and the industry was seeing an emerging shortage of skilled labor. I was excited to be assuming the office of IADC Chairman at a time when industry prospects seemed very promising.

A year later, a recession has cut oil & gas demand. Economic uncertainty is exacerbated by the September 11 terrorist attacks on America. The active rig count has slipped nearly

15% since July, while gas prices recently hit a 30-month low, falling below \$2/mcf.



Thomas P. Richards, Chairman

So where does the industry go from here? First, we should recognize that the mid- and long-term fundamentals for drilling remain positive. The current downturn is the first in my memory prompted by a decline in demand (5 bcf/day for natural gas) rather than an oversupply.

With more than 1,000 rigs drilling for natural gas in the US, we saw less than a 2% increase in supply year-over-year. In fact, natural gas supply and consumption have come into virtual lockstep in recent years, so analysts have not changed their view that the longer-term supply/demand picture remains tight. Nearly 50% of today's production comes from wells drilled in the past two years. The current rig slowdown will only make it more difficult to meet demand in an improving economy.

Second, I think it's important to recognize that drilling contractors and their customers are better positioned to rebound from a downturn today than they were in 1998. In the late 1990s, many companies were still weathering the effects of high debt, so the upturn in drilling was delayed as operators rebuilt cash reserves before expanding drilling programs. Companies are entering today's downturn with stronger balance sheets, so the trough in 2002 should be higher than the last, while the next rebound – when it comes – is likely to be swifter and stronger.

When will the upturn come? For both oil and gas drilling, that depends upon the economy. We have done nothing on the supply side that changes the outlook, either in creating too much production or enough supply to meet long-term demand. In fact, low natural gas prices are self-correcting. Curtailed drilling today will tighten supplies at a time when lower prices also make it a more attractive fuel choice.

In the meantime, it is up to the industry to learn a lesson from the labor difficulties we faced in the past year and do all that is possible during this downturn to ensure that we provide job and wage stability for our skilled employees. In an industry that is viewed as highly cyclical and unstable, we must be aggressive in recognizing that we can't afford to lose a generation of bright and talented employees who will be pivotal to our industry's efficiency and productivity for years to come.

As I complete this year as Chairman of our organization, I would like to acknowledge the dedication of the IADC staff who work tirelessly to represent our interests, to advance safety and to ensure the sharing of technical knowledge. They have made it a pleasure to serve this organization over the years, and I am sure that **Sted Garber**, IADC Chairman-elect for 2002, will enjoy their fullest support. Thank you for a memorable year.

From the President

TAKE AIM!

THERE'S A LOT of activity these days promoting safety in the drilling industry. IADC is no exception in putting energy, effort and resources behind programs aimed at making the drilling rig a safer place to work. New groups are popping up seeking to promote step change, attitude change and safety culture change.

However, it's time that we take aim at reducing one of the most critical areas of accidents in offshore drilling: injuries to drilling rig personnel who are transferred to workboats for handling cargo transfer. In almost every operating area of the world, workboats carry designated crew assigned to this task. No rig personnel are re-located to the workboats. Instead, rig personnel handle the load only aboard the rig. However, it has long been a practice in the Gulf of Mexico for the operator to provide roustabouts on the rig crew who will be put on workboats to unload supplies.



Lee Hunt, President

IADC Accident Prevention Statistics show that accidents involving rig crew on workboats account for an average of 7% annually of all Lost Time Injuries in the US Gulf of Mexico over the past 15 years. There are actions we can take now to reduce or eliminate these accidents, such as pre-sliding loads; pre-load inspection and marking of cargo; improved supervision of cargo packaging, stowage and handling by suppliers, dockside dispatchers and vessel captains.

These actions, and more, are detailed in a recently released report from a special IADC Task Group. The document, "Guidance for Packaging and Transportation of Cargo for US Offshore Operations", is available from IADC and also from the IADC website (iadc.org). Check it out. Then do something: Take aim at reducing injuries to roustabouts on workboats!