

Success and growth mark IADC during busy 2001

SUCCESS IN MOVING key regulatory issues in the right direction and in expanding membership mark the achievement record of IADC in 2001.

In addition to regulatory issues, standardization and trade were among the areas in which IADC efforts paid dividends for members. IADC's accreditation programs reached impressive milestones during the past year and new training products were developed.

Total IADC membership grew by 8%, with a particularly robust 50% increase in the number of international members. The number of rigs owned and operated by IADC members also increased. The size of the land rig fleet rose just 3% to 2,304, but MODUs shot up 17% to 524, while workover units more than doubled to 2,736 from 1,305.

2001 was a busy year for IADC and for its members.

From the largest multinational drilling firms to the smallest regional contractor, IADC members represent every type of oil and gas drilling contractor and every oil and gas region. Producer members include large and small independent producers and major oil and gas companies. Manufacturers and providers of a broad range of support services also are active in IADC affairs as Associate Members.

ENERGY IS HOT TOPIC

In the US, tight markets for electricity, natural gas, and petroleum products made consumers more ready to acknowledge the importance of supply in the energy market equation.

The energy policy proposed by the Bush Administration in early 2001 emphasized that developing new supplies is fundamental to bringing markets back in balance. Though key elements of the plan soon came under political pressure, the US House of Representatives produced a bill in early August that included much of the plan.

IADC backed the President's plan, joining the Alliance for Energy and Economic Growth, a group formed to urge the

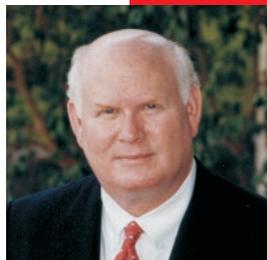
adoption of a "market-based" energy policy.

As the market for drilling rigs remained strong in early 2001, **Thomas P Richards**, 2001 IADC Chairman, said, "Providing a reasonable return for shareholders is the common objective of contractors. But attracting and retaining competent, committed employees will be the biggest challenge."

IADC LEADERSHIP

For IADC and its members, the future also brings an opportunity to play a lead role in resolving key issues.

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Thomas P Richards
IADC Chairman

Following are highlights of activities during the past year:

- IADC's WellCAP training program reached a new milestone, issuing more than 25,000 certificates;
- Vice Chairman **C Stedman Garber Jr** met with US Vice President **Dick Cheney** and cabinet leaders to urge support for OCS Lease Sale 181 in the Eastern Gulf of Mexico;
- Government Affairs Committee Chairman **Paul L Kelly** testified at a field hearing in Florida on the Draft Environmental Impact Statement for the proposed sale, emphasizing the capability of today's technology and management to protect the offshore environment;
- IADC was recognized as a liaison member of ISO's TC67 on Standardization of Materials, Equipment and Offshore Structures for the Petroleum & Natural Gas Industries;
- **William P Hedrick**, Chairman, IADC

Ergonomics Subcommittee, led the industry's response to the onerous OSHA ergonomics rule, repealed in early 2001, saving contractors millions of dollars;

- IADC helped push for free trade agreements with Australia, Chile and Viet Nam and actively promoted inclusion of energy services in the WTO services negotiations;

- With assistance from IADC, 5 years of anti-dumping duties against drill pipe from Argentina and Mexico were ended;

- WellCAP curricula were expanded to include well servicing, coiled tubing, wireline operations, underbalanced operations and snubbing;

- IADC's Accident Statistics Program was revised for greater focus, clarity and precision;

- A new underbalanced well classification system and training curriculum was established to provide guidance on risk management and establish a UBD reference database;

- The information technology committee was launched to examine efficient use of emerging electronic technologies by drilling contractors;

- A court ruling on expenses for crew changes will result in savings for thousands of land and offshore rig workers;

- 3,700 registrants attended IADC and IADC/SPE conferences over the last year in venues including Houston, Lafayette, Amsterdam, Stavanger, Muscat and Kuala Lumpur;

- An expanded publications product line includes CD-ROM Drilling Manual, Spanish-language Accident Prevention Reference Guide, "man on the rig" series and more.

TELLING THE STORY

During 2001, IADC launched an aggressive campaign to promote the drilling industry's policy objectives and to publicize industry achievements and activities, not only within the E&P sector, but also with the general public.

The effort resulted in solid coverage in media of IADC Chairman Richard's Chapter speeches, for example.

Also, IADC Vice Chairman Garber was quoted in the *Houston Chronicle*, among other trade and consumer press, for his remarks at OTC in favor of Eastern Gulf of Mexico Lease Sale 181. Op-ed pieces by Mr Garber and Dr Hunt on Sale 181 were later published in the *Houston Chronicle* and the *Houston Business Journal*, respectively.

The *Houston Business Journal* also published an opinion piece by Mr Hedrick and **Al Hicks**, Chairmen of the IADC Ergonomics Subcommittee and AESC Ergonomics Committee, respectively, on the proposed OSHA ergonomics rule.

The **American Bureau of Shipping's** magazine "Surveyor" published an interview with Dr Hunt covering IADC's support of free trade, efforts to smooth international rig movements and the Association's work with international regulatory agencies.

IADC Chapters also received significant coverage this year. More than a dozen articles were published on topics ranging from charitable donations in Houston to chapter elections to outstanding safety performance in Alaska. And IADC was cited by the *Houston Business Journal* as the 11th largest trade/professional association in the city.

WELLCAP'S SUCCESS

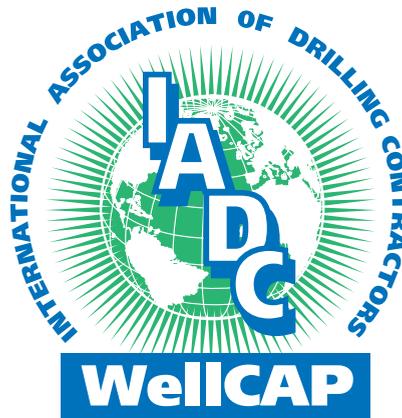
More than 25,000 certificates have been issued under the IADC Well Control Accreditation Program for well control training schools.

The WellCAP curriculum was expanded during 2001 to cover well servicing, coiled tubing, wireline operations and snubbing.

A WellCAP curriculum for underbalanced operations, developed by the Training Subcommittee of the IADC Underbalanced Operations Committee, is also available. And a draft of a WellCAP Deepwater Curriculum was unveiled in June.

ENHANCED SAFETY DATA

Quarterly and annual reports compiled by IADC under its Accident Statistics Program are part of a package of accident prevention materials that provide guidance to members on safety meeting topics, keeping drugs off rigs, hydrogen sulfide safety and more.



To better align statistics with the regions of the world, the IADC Health, Safety & Environmental Committee adopted changes for the 2001 ASP, increasing reporting regions from 6 to 14. Subsets were also added to each of the reporting categories to more accurately categorize incidents.

In addition to refining the current reporting structure, the Coiled Tubing Accident Statistics Program was initiated. Rules for both the rotary rig and

coiled tubing programs are similar, but each is administered separately.

With the upturn in rig activity in 2000, lost time and recordable incident rates ticked up slightly

According to the "2000 IADC Summary of Occupational Injuries" (SOI), the industry wide rate of lost time incidents slipped 19% last year, from 0.74/200,000 man hours in 1999 to 0.91/200,000 man hours.

However, the worldwide LTA incident rate has improved nearly 400% since 1990.

LEADING TECHNOLOGY

In February, the IADC Board of Directors approved a resolution adopting the Classification System for Underbalanced Wells developed by the Underbalanced Operations Committee.

"The system is designed to provide risk management guidance to drilling engineers, management and regulatory authorities," said **Noel Monjure**, **ABB**

Vetco Gray, the Underbalanced Operation Committee's Standards and Nomenclature Subcommittee Chairman. The classification system also provides a basis for establishing a reference database of wells drilled with underbalanced technologies.

Adoption of the classification system was another successful initiative undertaken by the UBO Committee, led by Chairman **Patrick Brand, Blade Energy Partners**.

The group developed the IADC Underbalanced Operations Tour Report form and the Underbalanced Operations Curriculum Guidelines that are now part of the WellCAP accreditation program.

The Supervisory Level Well Control Curriculum for underbalanced drilling was developed by the Training Subcommittee, chaired by **Don Hannegan, Weatherford Underbalanced Services**.

The UBO Committee now is working on a basic safety orientation program modeled after the IADC Rig Pass program, among other projects.

Information technology is also an IADC focus. A group of 20 representatives of 12 IADC member companies met last year to organize the new Information Technology Solutions Committee. Its mission is to provide a forum for the drilling industry to examine and improve the use of available and future technologies.

The organizational meeting was chaired by **Scott Milliren, Helmerich & Payne IDC**. **Mike Trahan, Diamond Offshore Drilling Inc** was elected the first Chairman of the new ITS Committee.

MEMBERSHIP GROWTH

A new chapter—the North Africa Chapter, based in Cairo—joined the IADC family during the past year. Organization of a new Caspian Chapter, based in Baku, Azerbaijan, is also well under way, with formal inauguration of the new Chapter set for late October.

Despite continued drilling industry consolidation, IADC added new members in both the Contractor and Associate categories.

The number of rigs owned by member companies increased.

Here is how the 2001 IADC membership rolls and rig fleet compare with 2000:

- Total membership rose 8% to 912 companies;

- International growth was particularly strong. The number of international members (those headquartered outside the US and Europe) ballooned 50% to 156. The striking increase is owed to sharp increases in both Contractors and Associates. The count of international Associates nearly doubled, growing to 81 in 2001 from 46 in 2000. The number of international Contractor members was also up sharply, increasing 30% to 65, compared to 50 in 2000;

- US membership remained at 615 companies, although total US Contractors grew 10% to 157 companies;

- European membership grew 14%, from 124 companies in 2000 to 141 this year. European Contractors increased from 37 in 2000 to 42 in 2001, a 14% increase;

- Contractor membership increased 15% to 264;

- Associate membership gained 7% to 592;

- Producer membership slipped 7% to 56;

- Total land rigs owned by members increased 3% to 2,304;

- The number of MODUs owned by members jumped 17% to 524;

- The total number of member-owned land, offshore, and inland barge workover units more than doubled to 2,736.

WORLDWIDE EVENTS

Some 3,700 registrants attended IADC-sponsored and co-sponsored events over the last year at worldwide venues—Houston, Lafayette, Amsterdam, Stavanger, Muscat and Kuala Lumpur.

The SPE/IADC Drilling Conference, held in Amsterdam during late February, drew 1,900 attendees, a record for the event in Europe. **Cary A Moomjian Jr, Santa Fe International**, will serve as Chairman of the 2002 IADC/SPE Drilling Conference in Dallas.

Another co-sponsored event, IADC/SPE Asia Pacific Drilling Technology, held in September 2000 in Kuala Lumpur, drew about 400 registrants for a top-notch technical program.

At events sponsored solely by IADC, 124 speakers addressed issues ranging from land drilling technology and crane safety to European deepwater markets and underbalanced drilling in the Middle East. Three dozen exhibitors displayed their wares and services at these conferences.

CraneSafety 2001 was a successful conference by IADC and the Offshore Operators Committee, with federal support from the **US Coast Guard** and the **US Minerals Management Service**.

More than 300 drilling and producing professionals attended the 2-day event in Lafayette, which explored best practices and regulatory trends in crane operations, maintenance and cargo handling.

IADC and OOC are co-sponsoring Drilling Gulf of Mexico 2001, 5-6 Dec in Houston. Focused solely on drilling in the US Gulf of Mexico, the event will cover both Shelf and deepwater drilling, including technology, markets, economics, outlook and personnel recruitment and retention.

Conference Co-Chairmen are **Will Pecue** of **Texaco** and **Marion Woolie** of **Global Marine**. **Noble Drilling** is sponsoring conference proceedings and brochure printing.

IADC Drilling Northern Deepwater 2001 focused on the potential and the challenge of operating in deep northern waters. The event, held 31 May-1 June in Stavanger, was co-sponsored by **Statoil** and **Smedvig ASA**.

While deepwater exploration offshore Norway has languished compared to other markets, **Kjell Jacobsen**, Managing Director, **Smedvig Offshore**, said in his keynote address, "I see a number of signals pointing in the direction of deepwater. I am an optimist in this area."

IADC Drilling Middle East 2000, 21-23 October, Muscat, drew 250 attendees from throughout the Middle East, with strong support from the Northern Arabian Gulf and Southern Arabian Peninsula Chapters of IADC.

Other Conferences during the past year—on HSE, well control, underbalanced drilling, contracts and tax—strengthened IADC's role in training and brought information of value to members and other professionals. ■