



EDITORIAL

From the Chairman

2006 was a great year. Let's make 2007 great too.

2006 WAS A tremendous year for the industry. The amount of new capital committed to the contract drilling industry in this cycle must be a record. Despite some 500 new or reactivated land rigs, either delivered in North America in 2006 or anticipated during 2007, and 10 offshore rigs delivered with almost 30 expected in 2007, there appears to be more than enough demand to absorb all the new capacity.



Bob Long, Chairman

Onshore US drilling is increasingly driven by unconventional gas plays, specifically tight gas translating to technically more demanding wells. While the short-term outlook for natural gas has been soft owing to the unseasonable mild winter weather, most observers remain bullish over the long term.

In the offshore arena, exciting new areas of opportunity are opening up.

Pemex announced its first tender for drilling in ultra-deepwater. The Jack well confirmed the viability of the ultra-deep play in the GOM. Substantial quantities of light oil and non-associated gas have been discovered in the deepwaters of the Santos and Espirito Santos basins offshore Brazil. Significant exploration success continued in the deepwaters offshore India. Husky had a significant discovery in the deepwaters of the South China Sea, and the first well was spud in the Orphan Basin in ultra-deepwaters offshore Eastern Canada. The Beaufort Sea looks set to see renewed activity in the future, and Congress expanded access to acreage in the US GOM.

All of this activity, coupled with the technical issues confronting the industry in some of the emerging plays (ultra-deep GOM wells, Orphan Basin, arctic conditions of Sakhalin to name a few) present us with significant challenges as we go forward in 2007.

People will continue to be our biggest resource and our biggest challenge. At this time last year, **Claus Chur** wrote that recruiting, retaining and training personnel was becoming more important than ever, and those continue to be our most

urgent concerns. Additional newbuilds have been ordered since Claus wrote those words, and my sense is that more will be ordered in 2007. We are getting closer to the time when many of the new rigs will be delivered and will need to be crewed up. The enormity of this challenge cannot be overestimated. As an industry, we need to find new ways to attract talent and to accelerate the development of our people. Poaching from competitors, customers or suppliers is not going to be the answer.

IADC continued efforts to assist member companies to address some of these issues with the launch of the Competence Assurance Accreditation Program. By reviewing training policy and procedures as well as resources, methods and assessment systems, the program is designed to help ensure that our training delivers the needed skills and meets accepted practices. It is also worth noting that IADC's Accreditation and Certification Department reached a new milestone for drilling industry training excellence by receiving ISO 9001:2000 Certification for Quality Management Systems.

Keeping people safe and avoiding damage to the environment will also be a tremendous challenge with the increased activity and increasing numbers of new people working in the industry. It is imperative that we maintain our focus as an industry in striving to realize incident-free operations. The development of the IADC Global HSE Case Guideline in 2006 provides another tool helping us to focus on controlling and managing risk and identifying potential hazards.

Our industry has come a very long way since IADC was established in 1940. Our technology, the skill and professionalism of our people and, most importantly, our safety practices are as good as or better than any industry one could compare us with. We should be proud of the standard we hold ourselves to and need to make every effort to ensure that we do not take a step back in our effort to satisfy the increasing demand for drilling capacity.

I am looking forward to another great year for the industry in 2007. ♠