

2002 IADC Chairman equipped to meet challenges

"I WAS MORE INTERESTED in making things work than in scurrying around looking for mergers."

That, said 2002 IADC Chairman-elect **C Stedman Garber Jr.**, is why he left the investment banking business and began a distinguished career in the oil and gas industry. That career began with operating companies, but turned to the contract drilling business when Mr Garber joined **Santa Fe International Corp** in 1984.

The past 17 years have been challenging for drilling contractors, to put it mildly. Wide cycles in oil and gas exploration spending and activity, and dramatic consolidation in the contract drilling business, have tested the ability of management at all companies to stay competitive.

At Santa Fe, changing ownership and a leading role in restoring Kuwait's devastated oil fields following the Gulf War have been added challenges.

Now Mr Garber and Santa Fe face another challenge: Completing the recently announced merger with **Global Marine Inc** and integrating the operations of two leading offshore drilling contractors into a company that offers more than the sum of its previous parts.

It's a challenge that will again test his enthusiasm for "making things work."

But his excitement about the future of the merged companies is obvious. "We have similar DNA," he said. "The cultures that defined the early days of each company still stand. That's why it's going to be a good combination."

Mr Garber is currently President and Chief Executive Officer of Santa Fe International Corp. He is only the 4th person to serve as President since the company was founded in 1946. He was named President and Chief Operating Officer in 1995 and became CEO in 1998.

He joined Santa Fe in 1984 as Senior Vice President, Strategic Planning, and in 1989 was appointed President of **Santa Fe Minerals Inc.** In 1991 he was named Executive Vice President and COO of Santa Fe International.

Before joining Santa Fe, Mr Garber served with **Getty Oil Co** from 1977 to

1984. From 1972 until 1977, he was an investment banker with **Blyth Eastman Dillon & Co.**

A native of Cincinnati, he received a BS degree in engineering from the **US Naval Academy** in 1965. After 5 years of naval service, including 2 tours of duty in Vietnam, he earned an MBA in finance from the **University of California at Los Angeles** in 1972.



2002 IADC Chairman-elect Stedman C Garber Jr completes a visit to the Santa Fe rig Magellan.

He is a Director of the International Association of Drilling Contractors and past Chairman of IADC subsidiary **Drilling Contractor Publications Inc.**, publisher of IADC's official magazine *Drilling Contractor*, the *Annual IADC Membership Directory*.

He also is a member of the IADC Executive Committee.

IADC HAS KEY ROLE

"IADC may expect a shrinking number of members, but it will also have stronger members," said Mr Garber in reference to the Association's future.

"Continuing to provide the services that IADC members want" is his key motivation.

"IADC's main role is to represent all members as a united front on issues of the day, such as access to prospective regions, regulatory initiatives and HSE," he said. "The Association can serve by dealing with these issues in a much stronger way than individual members can."

It is important to continue to provide the "every day" service that IADC has long provided, said Mr Garber, citing reports, training tools and leadership, and publications. Its involvement in sponsoring task forces is important for all members, he said, citing the task force on wind loads on derricks as an example of the importance of this work: "What could be more important for drilling operations, either onshore or offshore?"

The Association must also be active on US access issues, working with other industry associations.

And it must continue to deal with how to relate with agencies like the **US Minerals Management Service**, **US Coast Guard** and **US Occupational Safety and Health Administration**.

BROAD EXPERIENCE

"When I entered the Naval Academy in 1961, I wasn't sure what I wanted to do," Mr Garber recalls. "I did want to fly Navy jets, but my eyesight wasn't good enough."

In his plebe year, **President Kennedy's** blockade of Cuba during the missile crisis brought a subdued air to the Academy as its seniors wondered if they would soon go to war.

During this difficult year, Mr Garber's lifelong interest in rowing, a sport he continues to pursue, helped him cope. "Being able to row was a great help in handling the stress of service academy life," he said. "I still love to row and it still serves me well in dealing with the today's business challenges."

At Annapolis, he rowed on crews which won 2 National Intercollegiate Rowing Association championships. Mr Garber belongs to the Dallas Rowing Club and still competes occasionally as a member of the Navy Masters Rowing Club.

Daughter **Ashley** carried on the family



Sted and Robin, seated, with (back row, l-r) Christy, Stedy, Ashley, son-in-law John and Simmie.

rowing tradition, competing in the US and Europe while attending college.

While working on mergers and acquisitions at Blyth, Mr Garber became involved in the Getty Oil/Skelly merger because Getty was a Blyth client. "We had a number of oil industry clients at the time," he said. In fact, the client list even included Santa Fe International, for which Blyth managed several stock and Eurodollar debt offerings.

But it was Getty that—at the time—attracted him.

"I worked so closely with Getty on the Skelly merger, then when the merger was completed there was a void as the company went off to make it work," said Mr Garber. "I realized that I was more interested in 'making it work' than in doing mergers."

It was a time of uncertainty in the oil and gas industry. There were steadily growing signs that the high spending and activity levels of the early 1980s could not be maintained.

Still, when Mr Garber joined Santa Fe International in 1984 as Senior Vice President-Strategic Planning, it was to help grow the company by

acquisition. Instead, as the downturn deepened, he "spent the next several years taking it apart."

He first came to Dallas in 1989 to run the E & P subsidiary, Santa Fe Minerals. At the same time, he became a director of Santa Fe International. In 1991, he returned to California as Chief Operating Officer of Santa Fe International with responsibility for its drilling operations and Santa Fe Minerals.

During his varied career, Mr Garber has seen enormous change in both the oil and gas industry and the contract drilling business. Through it all, wife **Robin** has brought stability to the family as the Garbers raised 3 daughters and a son.

"Robin is traveling with me some now,"

said Mr Garber. "But until all the kids had left home, we felt one parent needed to be home pretty much all the time."

Son **Stedy** is attending Yale, pursuing study in economics and computer science. Daughters **Simmie**, **Christy** and **Ashley** are all finished with college and "on their own." Simmie and son-in-law **John** have brought the Garbers their first grandchild, **Brett Michael**.

TOGETHER AGAIN

It took slightly more than a half century, but the **Union Oil Co** drilling department of the late 1940s to early 1950s will soon have come full circle.

In 1946, Santa Fe International was created from the land drilling department of Union Oil. Ironically, today's Global Marine Inc began life as Union Oil's first offshore drilling operation.

By the end of 2001, they will both again be one entity—GlobalSantaFe.

"Global Marine and Santa Fe make an excellent fit. We at Santa Fe have always done our best to look at the future, see what clients will need, and add value.

"We have never been interested in acquiring 'standard' equipment. We like our drilling fleet additions to be at the premium end of the range.

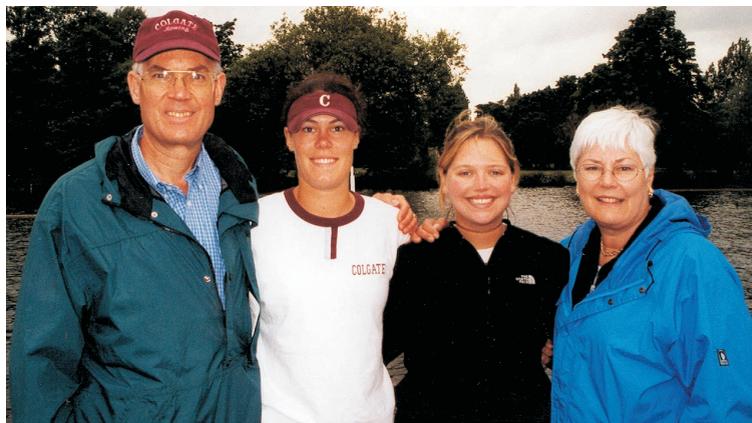
"Global Marine has a similar culture, and that's a key reason why it makes such a good fit."

There are always challenges to merged companies, of course. Even when cultures are a close match, integrating operations, records, procedures and an array of other minutiae can be daunting.

"Negotiating the deal is often the easy part," said Mr Garber. "The hard part is integrating."

Santa Fe began drilling wells in California in 1947, drilled its first international well in Venezuela in 1948 and began drilling in the Middle East in 1951, a move that turned out to be the beginning of a half century of involvement in that region.

By 1954, Santa Fe had grown to 21 land rigs with operations in the United States, the Middle East,



Sted, Robin and Christy with Ashley (in white) in England for her rowing competition.

North Africa, South America and Australia. It entered the offshore drilling business in 1956.

After being listed on the New York Stock Exchange in 1963, a major expansion of assets and capabilities took place throughout the rest of the 1960s and through the 1970s.

FOCUS, EXPANSION

Its guiding principles have changed little, in part because of the high level of continuity at the CEO level.

But Santa Fe has been reshaped frequently to maintain its position as a provider of premium services, and to ensure that the capital needed for growth is available.

When Santa Fe shifted to a divestiture mode in 1986, it drilled offshore and onshore, and had an exploration and



Sted Garber joins the crew on the deck of Santa Fe's offshore rig Key Manhattan.

production subsidiary, an offshore construction arm and an engineering and construction company. "We began to divest E and P assets, engineering and construction, and concentrate on drilling," said Mr Garber.

Santa Fe went through a major expansion program in 1987-1992, adding 4 new heavy duty harsh environment jack-

ups to its fleet. Revenue from these units helped provide a balance sheet that could support the current expansion, including units that focus on meeting the demand for rigs that specialize in development drilling in deep water.

It is a market that will expand as more deepwater discoveries are made and the industry has not been fully prepared to meet that demand, said Mr Garber.

Two new high performance jackups are also being built that are aimed at serving those operators "coming back onto the Shelf" to drill for deep gas. Operators are looking at these prospects in the Gulf of Mexico and elsewhere around the world, said Mr Garber.

"We're happy to be back in the rig construction business," he said.

WHERE WE'RE HEADED

"One thing is certain: This will always be a cyclical business," said Mr Garber. "But the long term fundamentals are very strong."

Especially in the next 3-5 years, the fundamentals driving gas exploration will be positive. It will take high levels of exploration and development spending—and drilling activity—to replace rapidly declining reserves and meet expected robust growth in US natural gas demand once the recession ends.

The oil market is also strong in the long term, he said. OPEC will likely be more able to manage the market because fewer of its members have significant spare capacity that can be used to undermine efforts to meet price targets.

"It's also encouraging that (WTI) oil prices have been, for the most part, in the high 20s since mid 1999, but most operators still base projects on prices in the mid teens. This means more stability in exploration and production spending and activity."

Even if oil prices were in the low 20s, most projects will still be viable. "That gives me more encouragement about oil E&P and international markets."

KEY CHALLENGES

The industry's most difficult problem?

"Attracting people. Recruiting, retaining, and training skilled people," said Mr Garber. It is a worldwide problem, he said, and the answer is more stability. "A young prospective employee needs to know he has a career."

Operators also are weary of having to lay off staff, then rebuild a short time later, said Mr Garber. A growing aversion to that process promises greater stability in spending and activity.

Finally, the industry needs to look for ways to communicate its culture as an environmentally friendly, safety conscious, people-friendly industry.

"We must do a better job of selling the industry to young people," said Mr Garber. "Bright young graduates want to be in cutting edge stuff. The industry needs to show them that providing increasing amounts of oil and gas is not only a high-tech business, but is vital to the world's economies and well being of all people.

We need to look for ways to excite people about this industry."

Attracting people is not the only challenge. In the US, one of the biggest obstacles to meeting future energy demand—particularly for natural gas—is access to prospective areas.

"Local political pressure continues to place off limits acreage that is critical to

meeting US energy needs," said Mr Garber. He was deeply involved in supporting Outer Continental Shelf Sale 181 in the Eastern Gulf of Mexico. "I was deeply disappointed in the outcome" of the sale process, he said. Only about 25% of the originally planned area will now be offered.

But despite its challenges, the industry is strong, said Mr Garber. ■