



OTC 18363

Independent Spirits Driving the Offshore Industry

E. Reynolds, Devon Energy; G. van Dyke, Vanco Energy; J. Simon, Amerada Hess Corp.; C. Loegering, Mariner Energy; B. van den Berghe, Geopetrol Intl.; S. Khurana, J P Kenny Inc.; and G. Carter, Nautilus Offshore

Copyright 2006, Offshore Technology Conference

This paper was prepared for presentation at the 2006 Offshore Technology Conference held in Houston, Texas, U.S.A., 1-4 May 2006.

This paper was selected for presentation by an OTC Program Committee following review of information contained in an abstract submitted by the author(s). Contents of the paper, as presented, have not been reviewed by the Offshore Technology Conference and are subject to correction by the author(s). The material, as presented, does not necessarily reflect any position of the Offshore Technology Conference, its officers, or members. Papers presented at OTC are subject to publication review by Sponsor Society Committees of the Offshore Technology Conference. Electronic reproduction, distribution, or storage of any part of this paper for commercial purposes without the written consent of the Offshore Technology Conference is prohibited. Permission to reproduce in print is restricted to an abstract of not more than 300 words; illustrations may not be copied. The abstract must contain conspicuous acknowledgment of where and by whom the paper was presented. Write Librarian, OTC, P.O. Box 833836, Richardson, TX 75083-3836, U.S.A., fax 01-972-952-9435.

Preface

This manuscript is intended to set the stage for a panel discussion, "Independent Spirits Driving the Offshore Industry", scheduled for Tuesday, May 2, 2006. The manuscript includes input from participants of this panel, who are:

- Brian Reinsborough, VP of Exploration, Nexen Inc.
- Earl Reynolds, Vice President and General Manager, Devon Energy
- Gene Van Dyke, Chairman and CEO, Vanco Energy
- John Simon, VP Development, Amerada Hess Corporation
- Cory Loegering, VP of Deepwater, Mariner Energy
- Bertrand VAN DEN BERGHE, Exploration Manager of GEOPETROL International
- The Moderators
 - Sandeep Khurana, Project Manager - Subsea Systems, JP Kenny, Inc.
 - Greg Carter, President, Nautilus Offshore

In the past 10 years independents have experienced a record-breaking production-replacement ratio of 135 percent, compared to the industry norm of 80 percent. Because of their entrepreneurial spirit, independents have used their small size and flexible approach to design more-efficient development plans and participate alongside majors in high-impact discoveries that include deepwater and ultra-deepwater fields, international activities, and marginal developments.

Independents are now poised to play an important role in growing worldwide energy demand. The panel will discuss some of the strategies independents have adopted to continue this trend. The panelists will address the following:

- Production growth vs. reserve replacement;
- Stepping out from mature shelf to deepwater and ultra-deepwater regions;
- Stretching applied technology envelopes;
- Developing strong relationships with industry and government partners;

- Building strong technical teams supplemented by global contractors.

Defining Independent Oil Companies

Generally speaking, size is taken as prime criteria to broadly classify the oil and gas companies as either major corporations or independent companies. To be classified as a major firm, an oil or gas company must be integrated to a substantial degree; it must be engaged in all phases of the industry. These phases include exploration, production, transportation, manufacturing, refining and retailing.

MMS (Minerals Management Services) tends to define major oil companies, or majors, as companies with largest assets, revenues and reserves. Majors are integrated companies with more than 1 billion BOE in petroleum reserves worldwide. Most of the majors have exploration and development funds in excess of \$100 million, going up to 1500 million. Large independent oil companies, or independents, are those firms cited in the Oil and Gas Journal list of largest 100 firms that are not majors, but have assets of at least \$500 million, and exploration and development funds of \$30 to \$300 million. The rest of the oil and gas companies are defined as small independents. Keeping size as the main criteria, MMS sometimes sub-divides independents as integrated or non-integrated. Integrated independents tend to have refining and retailing, although they may not have an extensive pump recognition or overseas coverage as majors.

The Independent Petroleum Association of America (IPAA) defines (Ref 1) an independent as 'a non-integrated company that receives nearly all its revenues from production at the wellhead'. Independents are exclusively in the exploration and production segment of the industry, with no marketing or refining within their operations. The tax definition published by the U.S. Internal Revenue Service states that a firm is an independent if its refining capacity is less than 50,000 barrels per day in any given day or if its retail sales are less than \$5 million for the year. In short, this tax definition quantifies the non-integrated aspect, specifically outlining the limits of the retail sale and refining capacity of independents. This definition may differ from country to country.

When it comes to international oil business, a further distinction is made by identifying government-controlled integrated oil companies as national oil companies (NOCs). The NOCs are designated by a government to manage the country's petroleum assets. Another term loosely used to