

Texas Board of Professional Geoscientists

Dealing With Ethics in the Dynamic Offshore Industry

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TBPG Mission Statement

- The mission of the Texas Board of Professional Geoscientists is to protect public health, safety, welfare and the State's natural resources by ensuring that only qualified persons carry out the public practice of geoscience.

Professional Geoscience History

- Professional Geoscientist licensure established by Texas Geoscience Practice Act, May 2001 (effective 1 Sept 2001)
- PGs working exclusively in private oil & gas exempted from licensure.
- However, approx $\frac{1}{2}$ of ~5,000 Texas PGs work in oil & gas.

§851.32 Continuing Education

- (d) A minimum of 1 PDH per renewal period must be in the area of professional ethics, roles and responsibilities of professional geoscientists, or review on-line of the Texas Geoscientist Practice Act and Board Rules.



Language of Economics

What's the bottom line?



Language of Politics

Where's the power?



Language of Ethics

What is right?



Ethical ≠ Legal

though good laws have ethical basis.

People follow good laws because they provide order, security or appear moral.

People follow bad laws, or laws they don't understand or trust, to avoid penalties. "Imposed ethics"



What is Trust?

Reasonable expectation in a result or a predictable outcome.

With Rule of Law, don't have to know someone to trust them.

Really?



What Happens When Trust Is High?

Integrity from the top down.

Corruption is low.

Prosperity is high.

Foreign investment is high.



What Happens When Trust Is Low?

No integrity at the top.

Corruption is high.

Prosperity is low.

Foreign investment is low.



Ethical Issues in Energy Industry

- Verbal commitments to land owners not incorporated into final lease
- Characterization of technical info to non-technical investors
- Drilling/production cost accounting
- Large gratuities from vendors



Ethical Issues in Energy Industry

- Safety requirements vs productivity
- Use and abuse of political influence
- Different business standards for U.S. firms vs foreign firms
- Different business standards for domestic vs international operations



Personal Ethics in Energy Industry

Situation: Boss asks geologist to spread the contours to increase the size of prospect.

- More likely a well gets drilled
- Success equals raise & promotion
- Failure equals demotion & reassignment
- Will boss respect you in the morning?



Personal Ethics in Energy Industry

Situation: Boss asks engineer or geoscientist to recalculate reserves upward. More reserves impact:

- share price or company value
- \$\$ size of employee bonus pool
- individual raises & promotions
- future work assignments
- relationship with boss



Ethical Conduct in Energy Industry

Situation: Driller notices sheens and dead fish around platform. Reporting means environmental investigations.

- Investigations disrupt work
- The marine ecosystem is already stressed
- Eco-warriors monitor the platform
- Firm has stringent environmental policy



Ethical Conduct in Energy Industry

Situation: Foreign firm pays bribes to local officials for advantage when competing against U.S. firm.

- Okay to play by same rules?
- Such payments against U.S. firm policy
- Potential sanctions by employer if caught
- Operating losses if firm unsuccessful
- Political assistance available at a price



Ethical Conduct in Energy Industry

Situation: In violation of firm's policies, employee has opportunity to trade confidential logs with competitor.

- May lead to new discovery or improved field production for both firms
- Sanctions by employer if caught
- Promotion for employees and increased profits for both firms if not caught

Ethical Conduct in Energy Industry

Situation: Firm needs special equipment for job in foreign waters. Locals offer to “protect” the shipment from pirates.

- Locals ARE pirates
- Protected ships get through safely
- Unprotected ships often hijacked
- Private security is available
- Firm has no policy in this regard

Ethical Conduct in Energy Industry

Situation: Vendor offers hunting & fishing trips to client firms.

- Value of trips is significant
- Long-established “tradition” of such trips
- Multiple client firms may be present
- Considerations different if domestic vs foreign?
- Private vs governmental?



Ethical Conduct in Energy Industry

Situation: Vendor offers cash rebates based upon work orders or other milestone criteria.

- Clearly stated in core contracts?
- Clearly stated only in supplemental docs?
- Offered to all operators?
- Offered only to select operators?
- Offered only in select regions?



Ethical Decisions Matter

Lead by example. Someone is always watching.

The right action at the right time makes all the difference.



Thanks for Your Attention !!

What would _____ do?



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