

## **Welcome, Introduction of Workshop**

10 minutes

8.30-8.40

Good morning everyone.

Welcome to this SPE Workshop on “An Industry in Transition: Emerging Challenges for Deepwater Oil Transportation in the Gulf of Mexico”.

Thanks for coming.

Not easy for each of you to break loose for a day in your schedule in these times when all of us seem to be responsible for more than one job in the course of a long day’s work.

We have a busy schedule for your day here, with from twelve speakers who I think you’ll find are the leaders - the real practitioners - in the offshore community that will deal with transportation of oil production from the deep waters of the Gulf of Mexico.

You’ll have seen who the speakers are on the workshop website and on the materials in the portfolio you received when you registered this morning.

I’m Peter Lovie. I chair the Steering Committee of six of us behind the staging of this workshop, done with the support of the Society of Petroleum Engineers (SPE) which is a service organization to the petroleum industry, providing programs like to professionals working in our industry. SPE

worldwide is headquartered in Richardson Texas. The Gulf Coast Section of SPE, here in Houston, is the largest and most active in the world. With about 13,000 members SPE is one of the largest professional groups in Houston, behind lawyers, realtors and the teamsters. The SPE Gulf Coast Section is made up of several groups - reservoir, drilling etc. One of the groups is Facilities & Construction which has staged a number of workshops like this over the years and which originated this one.

When we stage one of the workshops we do so on a “not for profit” basis, and do it against a budget. If we beat the budget the surplus goes back to SPE Gulf Coast Section who spend it on community services. As a result of so many of you coming here today, something like 160 in the room today, there will be several Houston high school students who will receive scholarships to study engineering at college next year.

This is the sixth of these SPE workshops I’ve done in this series of “business and technology” workshops with this one more on the “business” side than any of the earlier ones.

The need for this workshop has been building since we held an SPE workshop on “The Latest in Deepwater Facility Selection - the business of bringing the oil ashore” in June of 2001. The timeliness of today’s workshop came into focus quickly in May from three actions. First, at OTC my company was surprised by the strong reception from the industry press to issues on transportation of oil production. Second, Matt Simmons - who is our Keynote speaker today - and who has a reputation for farsightedness and being ahead of everyone on industry trends - indicated an interest in

speaking at an event like this and the timeliness of the topic. A third signal came, also in May, from Deepstar, an industry group of 12 oil companies and 42 contractors, engineers and vendors, that after twelve years with “drilling and production” in its Mission Statement, they decided to change to include “Transportation”.

A few years back it used to be that there was only one way to transport oil production in the Gulf of Mexico and the pipelaying contractors could always overcome increased difficulties in economically and technically laying pipe out to where it was needed. All this is being drawn into question as discoveries are made hundreds of miles out in Walker Ridge and Alaminos Canyon, and in waters one to two miles deep. Today we seek insights for the way ahead.

The North Sea history has been that pipelines and shuttle tankers have co-existed well for many years, each fitting market requirements, being the best solution for certain areas and markets. Some of the e-mails about this workshop spoke of a shootout on these two competing transportation solutions. Today it may get controversial but no shooting we hope! Usually we find in these workshops that better insights are.

If you’ve been looking at the website for the Workshop, you’ll have seen how many of you have entered questions you’d like to see resolved in to day. That table of questions is taken seriously, are collected and given to speakers and is great input to our panelists and speakers as to what you are really interested in.

As you'd gather from the program, this is unlike the usual commercial conference. We stay away from standard company stories, we're heavy on the discussion, and we exclude the press to encourage open discussion.

However this is a significant industry event and we decided to arrange a press briefing after the workshop with carefully chosen petroleum industry journalist, moderated by A.D. Koen, where the moderators from today's proceedings will summarize outcomes and be available for questions.

So it is OK today to ask difficult, even politically incorrect, questions!

In our program we start with the drivers, issues to be resolved - what's needed and what may be ahead - and hear from speakers from Anadarko, BHP Billiton, Shell Pipeline, Kerr McGee and the MMS Royalty in Kind program address the Demand Side. Steve Smetana of Shell in Houston will be moderator.

The next segment on Technical Perspective - what's new, barriers and solutions - draws on experience from the leaders of Deepstar and of the Offshore Operators Committee and is moderated by Kim Limmex of Shell in New Orleans.

In our last segment, moderated by David Saylor of Unocal, the transportation contractors competing for the high stakes deep and ultra deep water business face off - two deepwater pipeliners (Poseidon and Gulf Terra) take on two shuttle tanker competitors (American Shuttle Tankers and Seahorse Shuttling & Technology).

We close the day with a panel discussion with all speakers, moderated by Allen Verret and I - one more chance for you to ask the speakers about their insights and what you have heard during the day.

We plan to call a truce about 5:30 p.m., and unwind at the workshop networking reception.

Before going any further, some housekeeping matters:

We have a coffee break in the morning and afternoon and lunch at 12.15, all as shown in the Agenda in the Portfolio in front of you.

Restrooms and phone are outside and to the left, near the elevators.

In the event of a fire alarm the exit is the front door of the hotel, straight across the atrium.

All of the presentation materials used today will be assembled in a CD and mailed to you about a week after the workshop. Be sure to give the ladies at the front desk your business cards so they know where to send it. You'll also get the complete attendance list there - the list in your portfolio is preliminary, good as at last Friday.

We would ask that you now turn off your cell phones or put them to silent. We have a couple of bouncers back there, these guys with the microphones - whose job it is to extract a \$20.00 penalty for each

phone that goes off in these deliberations, with the proceeds going as a bonus to the hard working ladies who are working the front desk and registration.

We now are honored today to have Matt Simmons internationally recognized oil and gas industry analyst and industry leader, Matt Simmons, CEO and founder of Simmons & Company International, as our keynote speaker. Matt is advisor to many major U.S. corporations, and to oil industry and government organizations in different parts of the world.

Matt is a native of Utah, earned an MBA with Distinction at Harvard Business School, founded and now leads Simmons & Company International, the world's largest energy investment banking firm, located here in Houston.

He will put the scale, scope, and implications of today into the proper perspective.

Please welcome Matt Simmons.

**Bring it to a successful close**

1 minute

5.28-5.30

Thank you all for coming.

The unwind and networking reception is outside - food by SPE, with a cash bar.

Please leave your survey forms with Linda and Sharon as you leave.

This closes the Workshop.

By: Peter Lovie

Houston  
14 October 2003