



August – October 2014
Volume 68, Number 3
www.pesa.org

Upcoming Events

2015 Executive Coaching & Leadership Development
January 20, 2015
Westin Memorial City
Houston, Texas

Austin Legislative Summit
February 2 – 4, 2015
The Driskill
Austin, TX

Supply Chain Seminar
February 18, 2015
Westin Memorial City
Houston, Texas

Executive Address Series
Susan Cunningham, Noble Energy
February 19, 2015
Westin Memorial City
Houston, Texas

Washington Fly-In
February 22 – 24, 2015
The Hay-Adams
Washington, DC

2015 PESA Annual Meeting
April 22 – 24, 2015
The Ritz-Carlton Lodge at
Reynolds Plantation
Greensboro, Georgia

Find all of our upcoming events
at www.pesa.org.

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Customer Insights

Murphy Oil Corporation

Roger Jenkins, President & Chief Executive Officer

The 2014 Gulf Coast – Louisiana District Meeting held September 18, featured Roger Jenkins, President & Chief Executive Officer, Murphy Oil Corporation.

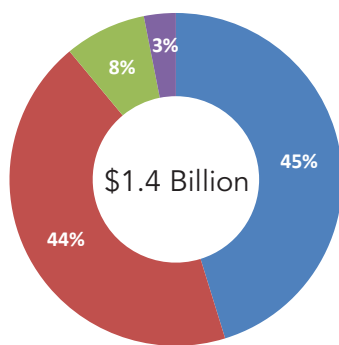


Roger Jenkins, President & Chief Executive Officer, Murphy Oil Corporation

Gulf Coast – Louisiana District Chairman Doug Polk of Vallourec USA invited Roger Jenkins to address PESA members at the September meeting. Mr. Jenkins said that Murphy's oil and gas production levels are at their highest in 30 years. Unconventionals are driving the company's North American production growth and deepwater Gulf of Mexico activity is rebounding.

Cost control continues to be a primary challenge and Murphy looks to the service and supply industry to find innovative ways to reduce capex spending. Their preferred partners are efficient & commercially focused. Eagle Ford Shale (EFS) and Gulf of Mexico (GOM) play a significant role in Murphy's current and future operations.

Murphy's Eagle Ford Shale 2013 Capex



■ Drilling
■ Completion
■ Production/Facilities
■ Other

Production / Facilities	\$MM	%
Water Management	\$46	40%
Other Production	\$30	26%
Artificial Lift	\$24	21%
Well Servicing	\$14	12%
TOTAL	\$114	100%

Completion	\$MM	%	Drilling	\$MM	%
Hydraulic Fracturing Completion	\$310	50%	Contract Driller	\$280	44%
Equipment	\$130	21%	OCTG	\$116	18%
Other	\$88	14%	Other Construction	\$92	12%
Completion			Wireline – Open Hole	\$43	7%
Coiled Tubing Services	\$50	8%	Cement	\$36	6%
Surface Trees	\$24	4%	Directional Services	\$34	5%
Fishing & Rental	\$23	4%	Drilling Mud	\$25	4%
Wireline – Cased Hole	\$1	0%	Bits	\$15	2%
TOTAL	\$626	100%	Solids Control	\$6	1%
			Cementing Hardware	\$2	0%
			TOTAL	\$647	100%

—Customer Insights continued on page 3.

Chairman's Letter



Paul Coppinger
PESA Chairman
Divisional Managing
Director, Weir Oil & Gas

Oil prices in the world market hit a five-year low this December, but that has not inhibited the positive long-term outlook for the energy industry. The surge in U.S. energy production has changed the game for the national economy and reset the world stage. The recent drop in prices represents a shift of market fundamentals adjusting to a new, abundant supply. It also signals the growing strength of the United States' hand.

"The key for America is that we shouldn't let ourselves get distracted by falling oil prices when there is much more at stake," commands T. Boone Pickens, founder and chair of BP Capital.

The U.S. dependence on foreign oil has come at a high price, dictating our national security decisions concerning the Middle East for decades. In 2005, 60 percent of all fuel consumed in America was imported. The U.S. Energy Information Administration (EIA) projects that number will fall to just 25 percent by 2016. The rapid increase in shale oil production over the past five years has played a pivotal role in bringing our energy production stateside, undercutting the power of OPEC by reducing our oil trade deficit and bolstering our economic recovery.

While some oil and gas producers may be experiencing challenges due to the oil price drop, PESA member companies are critical drivers of the technological innovations that will yield ongoing benefits for the industry. The service and supply sector's innovation, new technology and education are sustaining resources that are even more important in a variable world market.

New technology has propelled U.S. oil drilling with the six tight oil and shale gas plays, Eagle Ford, Bakken, Niobrara, Marcellus, Haynesville and Permian, accounting for nearly 90 percent of domestic oil production growth over the last two years. Technologies, such as the use of drilling platforms called pads, have enabled hundreds of operators to get more wells out of a single rig. Smarter wells and more disciplined engineering could yield more crude oil from the shale in the future.

Looking to 2015 may be challenging, but the growth prospects for energy production remain high, with the U.S. EIA expecting U.S. oil production to increase by 750,000 barrels per day (bpd). The oil price drop could create a different type of pressure in regard to efficiency in exploration, the development of new technologies and the stimulation of innovation and creativity. PESA's member companies established a firm foundation to create a lasting and a positive long-term outlook.

Our industry was built on grit, determination and ingenuity. We help set the course of this country and our industry's leadership is imperative for the prosperity of this great nation. Our best days are still ahead.

Paul Coppinger
PESA Chairman
Divisional Managing Director, Weir Oil & Gas

PESA Officers 2014-2015

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PESA Chairman
Divisional Managing
Director
Weir Oil & Gas

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Senior VP & President
Drilling & Production
Systems
Cameron

Johan Pfeiffer
PESA First Vice
President
Vice President
Surface Technologies
FMC Technologies, Inc.

David Warren
PESA Treasurer
President & Chief
Executive Officer
Energy Alloys



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PESA President
Leslie Shockley
Beyer

PESA Executive
Vice President
Michael Perini

PESA Director of
Communications
Molly Smart

PESA Perspective

As we turn the page on 2014, I could not be more excited about the future of PESA. Our board of directors charted an ambitious path for our member companies and the over 1.3 million men and women we represent. Over the last several months, under their leadership, we have made important strides as an association not only with our name but a renewed sense of purpose.

This year, PESA joined the conversation; launching a new website and social media presence to share news, provide industry insights and engage with key influencers on issues specific to the service and supply sector.

As part of the commitment

to becoming an advocate for our members, we launched an online policy center. The PESA policy center provides tools and updates to learn more about the issues facing our industry and to connect with lawmakers, community leaders and organizations involved in policy decisions.

We strive to provide a platform for members to take action and make their voice heard on behalf of our industry and our association. In 2015, we will hold an Austin Legislative Summit in addition to the Washington Fly-In.

For the first time in our history, the Emerging Leaders are sponsoring a year-long leadership program for your companies' high

performers. Throughout 2015, participants will have access to a professional executive coach and leadership development opportunities that might not be afforded to them otherwise.

In an effort to expand our footprint in strategic regional areas, we will also host the 2015 mid-continent district meeting in Denver.

It's an honor to be at the helm of PESA during such a pivotal time for our industry. Thank you for your collaboration, support and vision as we head into 2015. Together, we will continue to sustain the momentum that has changed the game for our association and our sector of the industry.

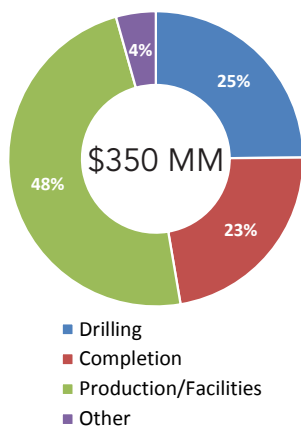


PESA President
Leslie Shockley Beyer

Leslie Beyer
PESA President

Customer Insights Continued

Murphy's Gulf of Mexico 2013 Capex



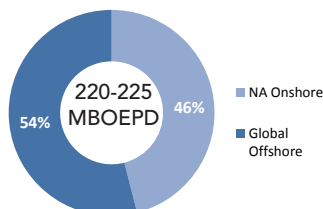
Production / Facilities	\$MM	%
Pipeline	\$77	45%
Transportation	\$25	15%
Subsea Facilities	\$22	13%
Surface Facilities	\$19	11%
Artificial Lift	\$18	11%
Other	\$8	5%
TOTAL	\$169	100%

Completion	\$MM	%
Hydraulic Fracturing	\$23	30%
Completion Equipment	\$21	27%
Other Completion	\$17	22%
Surface Trees	\$12	16%
Fishing & Rental	\$4	5%
Coiled Tubing	\$1	1%
Services	\$0	0%
Wireline – Cased Hole	\$0	0%
TOTAL	\$78	100%

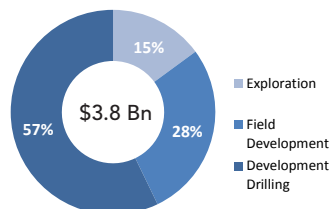
Drilling	\$MM	%
Contract Driller	\$42	49%
Other Construction	\$14	16%
OCTG	\$11	13%
Directional Services	\$5	6%
Drilling Mud	\$5	5%
Solids Control	\$5	5%
Wireline – Open Hole	\$4	5%
Cement	\$1	1%
Cementing	\$0	0%
Hardware	\$0	0%
Bits	\$0	0%
TOTAL	\$87	100%

Murphy Oil Corporation – Key Portfolio Assets

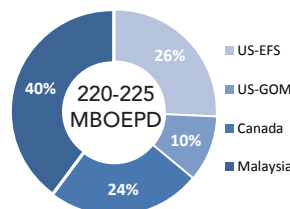
2014E Total Production Guidance



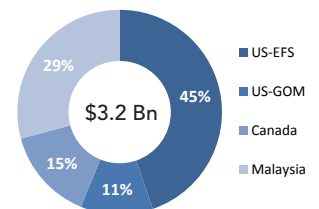
2014E Total Capex



2014E Total Production Guidance



2014E Development Capex



Globalized Shale And The Future Role Of Service Companies

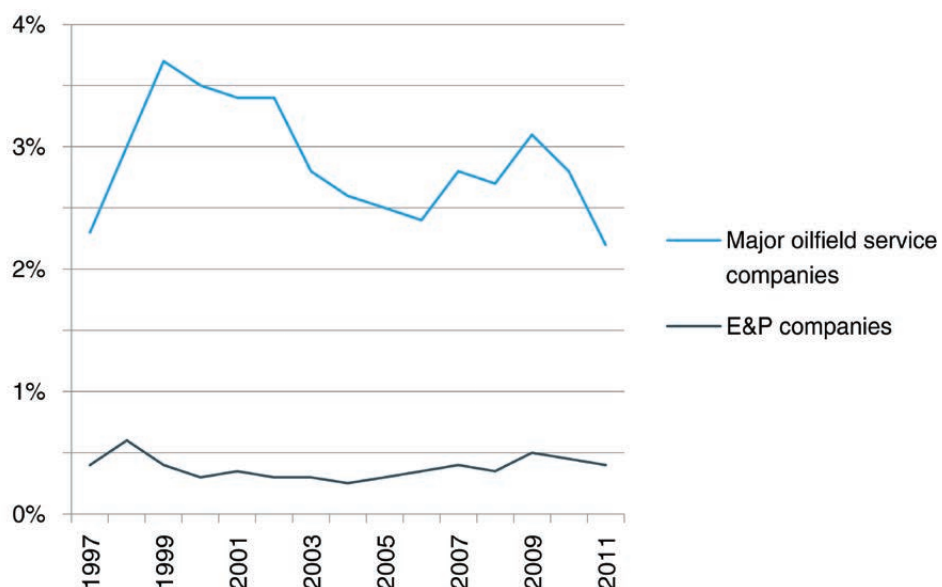
The growth in oil and gas production from the US shale industry has had a transformational effect on US energy balance, economy, industrial competitiveness and employment levels. Many other countries with shale reserves are now looking at the US experience and hope to take advantage of lessons learned in order to exploit and benefit from their own reserves. Register Larkin's latest Shale Report looks at the opportunities that these developments offer for integrated service companies.

The latest copy of the Register Larkin Shale Report looks at the role of service companies in the ever-growing oil shale market. A convergence of two main factors offer integrated service companies (ISC) significant opportunities in the current climate for operators and the article looks at these factors and identifies three different situations ISC may want to consider.

Firstly, following the steep decline in oil prices in the 1990s, the international oil companies (IOC) cut back dramatically on the research and development budgets in contrast to ISC which increased investment. In fact, ISCs now hold a higher patenting rate than IOCs and, when compared by percentage of annual revenue, spend up to 10 times as much as oil companies on R&D. In some cases, the actual amount spent by ISCs rivals that of an IOC, for example Schlumberger's R&D spend of \$1.2bn approaches Shell's budget of \$1.3bn.

This technical knowledge is also coupled with increased capability and many ISCs are now able to conduct full field development activities, particularly onshore. This expansion of the role of ISCs initially met with resistance by the IOCs but many service companies now fulfill this role on behalf of an IOC or national oil company (NOC) license holder. This combination of technical knowledge and development capability present significant opportunities for ISCs in the shale sector in three different sets of circumstances.

Firstly, in countries with little or no significant previous hydrocarbon



exploitation, ISCs have a significant opportunity not only with respect to development of the fields themselves, but also to help develop and build the necessary infrastructure that is currently lacking in undeveloped locations. In some cases, such as South Africa, enormous reserves of shale are believed to exist but the lack of existing pipeline infrastructure, poor roads and limited water would make exploitation of these reserves a significant challenge. This is something that only the largest IOCs may want to tackle but only with the expertise and capability that ISCs can offer.

A second situation is where countries have a history of hydrocarbon production but declining output. In light of reduced production, countries may begin to look towards shale as an alternative source of crude to bolster output. Although some countries may

be nervous about turning over field development to an ISC, it is likely that significant opportunities will exist in a traditional service company role.

Lastly, countries that continue to enjoy long-term production of conventional hydrocarbons may still want to survey, explore and inventory their shale reserves. In these circumstances, NOCs will wish to take advantage of the technical skills and expertise in shale that service companies offer.

In the changing shale environment, ISCs have a number of opportunities to apply their technical and development expertise. Those with the appetite and ability to manage above ground risks will be well-placed to take advantage of these opportunities.

To read the full article, visit <http://www.registerlarkin.com/news/rl-shale-report-globalised-shales-and-the-future-role-of-service-companies/>

Energy Educators

Providing A Firm Foundation For The Next Generation Of America's Energy Professionals
From early childhood education programs to secondary and higher education STEM programs, Energy Educators helps PESA member companies channel member resources and knowledge, promote the industry with an aim to attract new talent and positively influence public opinion.

Renewed Commitment to Education

One of PESA's most significant commitments to STEM education is through the IPAA/PESA Education Center. As part of this program, PESA membership supports four petroleum academies in Houston and Ft. Worth, as well as the Energy Institute High School (EIHS) in Houston.

This year, PESA renewed its commitment to the IPAA/PESA Education Center in the amount of \$150,000 each year through 2020. This significant level of support will allow us to continue funding the petroleum academies and EIHS.

Energy Institute High School



PESA President Leslie Beyer with EIHS students

PESA participated in the Guest Lecturer Series on September 3 at EIHS. The goal of the guest lecturer series is to provide students the ability to make more informed career choices in the areas of math, science and the emerging technology concepts available in our industry.

During the school year, industry professionals volunteer to share the vast career opportunities that are available within the petroleum industry. PESA President Leslie Beyer and DistributionNOW Vice President of Marketing & Business Development Brad Wise presented to the freshman class. Leslie spoke to the class about developing a career in the energy industry and the opportunities created

by STEM education at the high school level. Brad gave an overview of supply chain and led the class in an interactive role play.



Brad Wise (DistributionNOW) explaining the supply chain scenario.

Alumni Mixers

The first Petroleum Academy class is graduating from college in May 2015. In an effort to place these students with member company job opportunities, two mixers were planned for IPAA and PESA HR professionals, Petroleum Academy graduates and current academy seniors.

OTC Award

The Offshore Technology Conference (OTC) announced the 2015 beneficiary of the Annual OTC Dinner—the IPAA and PESA Energy Education Center for the benefit of EIHS.

"The OTC Dinner Executive Advisory Board's aim is to make a difference in people's lives," says Kevin McEvoy, CEO of Oceaneering, PESA Board Member, and Chair of 2015 Annual OTC Dinner Executive Advisory Board. "The Board selected this year's charity because of its strong commitment to advance STEM education through hands-on, project-based learning with a specific focus on the energy industry."

IPAA and PESA partnered with the Houston Independent School District to create the first Energy Institute High School in the United States. Opened in August 2013, the Energy Institute is a

new magnet school in HISD for grades 9–12. Students work within one of the three pathways—geosciences, energy alternatives, and offshore technology.

"It is through the contribution of corporations, like those involved with the Annual OTC Dinner, that the IPAA/PESA Energy Education Center is able to support the educational initiatives at the Energy Institute High School," explains Galen Cobb, Chairman of the IPAA/PESA Petroleum Academy Advisory Board.

"The IPAA/PESA Energy Education Center and the Energy Institute High School are committed to bringing students an innovative and fresh perspective into the world of energy and developing the next generation of talented energy professionals. Establishing a new program of this size is monumental and along with the rewards brings sizable challenges. This award allows us to further enhance the program while continuing to provide ground-breaking project-based STEM education," says Leslie Beyer.



Hoover Container Solutions & Precision Additives at the Sporting Clays Tournament

Sporting Clays Tournament

Thank you to all the participants in our 2014 Energy Educators Tournament. Proceeds from this event help support all of the efforts mentioned in this article in addition to college scholarships for graduating seniors of the Petroleum Academies.

PESA & the US Department of State

Partnering to Train Foreign Service Officers on the Energy Industry



Federal government officers tour Weatherford's training rig

For the past 21 years, PESA has co-sponsored a Foreign Service Officer Energy Industry Training Session with the U.S. Departments of State, Energy, and Commerce. The week-long training familiarizes Foreign and Civil Service Officers with the energy industry to facilitate informed energy decisions at their embassy posts around the world, specifically in energy-intensive countries.

Member and customer companies along with nationally-recognized educational institutions provide experts, materials, and equipment for the training program. To date, PESA has trained more than 550 federal government officers.

Member companies donate their time, personnel, and facilities to give FSOs a hands-on overview of the petroleum industry. In return, PESA member companies gain valuable, educated contacts in the FSO community.

Highlights of the FSO training included the James A. Baker III Institute for Public Policy; Citi Trading Floor; Weatherford's drilling rig; a briefing on security from BP; Halliburton's Research and Development Center; ExxonMobil; and the FMC Technologies production floor.

SNAPSHOT of
FSOs August
2014



25 Graduates
US of State
Departments Defense
Commerce

Currently Assigned In
Angola Azerbaijan Brazil China
Gabon Iraq Mexico
Mozambique Russia Saudi Arabia
Sudan Taiwan Washington, DC

Executive Leadership Address



Emerging Leaders Chairman Brian Swagerty, Coach R. C. Slocum and Sarah Swagerty

PESA Emerging Leaders Executive Leadership series allows individuals to share details of their journey to success and best practices for the next leaders of the energy industry.

Legendary Texas A&M football coach Richard Copeland "R. C." Slocum shared his leadership principles October 15. Slocum served as the head football coach at Texas A&M University from 1989 to 2002, and is the most winning coach in Aggie football history. Slocum was inducted into the College Football Hall of Fame as a coach in 2012.

Slocum spoke of respect through leadership from his coaching experience and how that could apply to any organization. "Every person has dignity and deserves respect," said Slocum.

Hannon Hydraulics was the event's corporate sponsor.

Oil & Gas 101

PESA created certification and education programs like Oil & Gas 101 designed to equip our future leaders with knowledge and skills that capitalize on our industry's success and build the industry of tomorrow.

Sponsored by PESA's Emerging Leaders Committee, the Oil & Gas 101 seminar held September 2014 provided an overview of the exploration, drilling and production phases of oil and natural gas wells.

PESA member companies Auge, DistributionNOW, Energy & Specialty Distribution, FMC Technologies, Gardner

Denver, LTR, NOV, Oceaneering, Oil States International, and Weir Oil & Gas sponsored 30 transitioning military servicemen who are interested in joining the oil and gas industry. One veteran said, "The course enlightened me on how the industry works. Thanks for providing retiring/transitioning military a seat. In addition to learning the industry vocabulary, I was able to talk with those in the industry which was tremendously helpful."

The following companies contributed subject matter experts for the Oil & Gas 101 training:

Baker Hughes • Ed O'Malley, Director Applications Engineering, Sales, and Operations Support

- Completions and Flow Equipment

Cobalt International Energy, Inc.

- James Geary, Sr. Exploration Geologist
- Introduction to Geology and Seismic

Credit Suisse • James Wicklund, Managing Director – Energy Research

- Energy Markets

DistributionNOW • Brad Wise, Vice President, Marketing & Business Development

- Introduction to Supply Chain

FMC Technologies, Inc. • Dennis Pham, Field Development Manager – Major Tenders

- Subsea Drilling and Production

Halliburton • Robert Moran, Vice President, Government Affairs

- Government 101

HARC & Environmentally Friendly Drilling Systems • Andra Wilcox, Energy Production

- Environmental and Societal Issues of Oil & Gas



Brad Wise (DistributionNOW) led a real-life supply chain scenario.

National Oilwell Varco • Karl Appleton, Business and Technology Director

- Rig Systems and Drilling the Well

Sinclair Group • Steve Jacobs, Sr. Vice President – Oil & Gas

- History of the Industry & Emerging Technologies

Viking Oil Tools • Wes Heiskell, President & CEO

- Well Intervention & Well End-Of-Life

Wood Group Mustang • Chris Doss, P.E., Process Engineer, Downstream

- Refining 101

CID Annual Meeting



Dr. Chad Moutray, Chief Economist, National Association of Manufacturers

Speakers at this year's CID annual meeting included Paul Coppinger, Divisional Managing Director, Weir Oil & Gas; Dr. Chad Moutray, Chief Economist, National Association of Manufacturers; and Carl Doré, Jr., President, Doré Law Group.

PESA Chairman Paul Coppinger spoke about the progress that PESA was making to provide member companies with additional resources to highlight the issues affecting our industry and to provide a platform for advocacy efforts.

Dr. Moutray provided an overall outlook for the American economy and discussed a number of the drivers required to sustain a recovery within the manufacturing sector: export sales, a skilled workforce, raw material costs and steady levels of investment.

Carl Doré gave insight into how credit

personnel could mitigate the risk inherent in their companies' operations by capturing and documenting the proper information at various stages of their interactions with customers.

Repeating a successful segment from the previous year's annual meeting, senior CID member credit managers shared their expertise by providing useful information and leading group discussions in separate breakout sessions. This year's topics included tips for negotiating, managing international risk and examining the various credit risks in the lifecycle of a well.

There were also presentations to discuss best practices and provide information on recently added features of CID's credit reporting system that were given by Mike Perini, PESA, and Mike Meyers, ABC-Amega.

**U.S. Oil and Gas Field
Equipment Exports
Top 15 Destinations for Q3 2014
(in U.S. \$1,000)**

	July	August	Sept.
Saudi Arabia	62,356	23,546	53,027
Korea	22,923	29,060	21,921
Singapore	29,312	59,346	38,184
Mexico	63,622	52,329	55,424
China	29,328	32,684	27,823
Canada	33,567	22,292	21,276
Brazil	27,575	35,803	29,678
UAE	34,245	13,542	19,076
Argentina	52,862	48,018	44,755
Nigeria	11,095	34,472	9,598
UK	13,549	17,380	14,732
Venezuela	26,899	12,351	16,504
Egypt	7,711	6,031	4,916
Angola	24,304	29,913	16,954
Russia	35,178	30,341	22,618
Subtotal :	474,525	447,108	396,487
All Other:	192,123	194,255	206,973
Total	666,648	641,364	603,459

Sources: U.S. Department of Commerce & the U.S. International Trade Commission



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Secure Your 2015 PESA Sponsorships



- › Washington Fly-In Congressional Reception
- › Annual Meeting
- › Oil & Gas 101
- › Executive Address Series Luncheons
- › Topical Seminars
- › Energy Educators Shooting Clays Tournament
- › Explorers of Houston Golf Tournament



"PESA Meetings deliver unparalleled opportunities to gain insights from industry leaders and key stakeholders. They are also an opportunity to share with our customer executives this sector's proven advances in technology and innovations that create more value for their resource plays."

Galen Cobb
Vice President of Industry Relations, Halliburton
Emerging Leaders Liaison

If your company is interested in sponsoring an event, please contact Molly Smart at msmart@pesa.org or 713-932-0168.