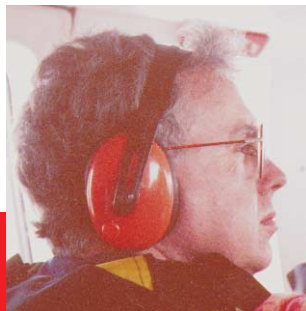


Offshore career no 'walkabout' for 2000 IADC Chair John Irwin

Mike Killalea, Editor & Publisher

IN AUSTRALIA, A "walkabout" is a long walk with no particular destination in mind. But it was no walkabout course that **John R Irwin** took to build his career in the international offshore drilling business—even though the Australian native came to the offshore business via landlocked Oklahoma.

Mr Irwin, President and CEO of **Atwood Oceanics** and 2000 Chairman of IADC, was born and raised in Melbourne, Australia, into a family with deep roots there—5 generations on his mother's side.



'As we enter the new century, IADC must continue as THE flag bearer for the drilling industry. And that industry will grow increasingly strong as it attracts quality people in the future'

**—John R Irwin,
President/CEO, Atwood Oceanics Inc;
Chairman, IADC**

Always active in sports, Mr Irwin competed throughout his youth and college in Australian rules football, which bears a few parallels to rugby, but is nonetheless a distinctly Aussie game. Begun in 1858, the game resembles to the casual and uninformed observer a spectacle of brutal anarchy played out by two 18-man teams across a sprawling field about 200 yards long.

Mr Irwin played half-back flank and back-pocket. Both are essentially defensive positions, but with an offensive edge when the team has possession. Mr Irwin played on several good teams during his university career.

Mr Irwin attended the **University of Melbourne** on a scholarship, earning his master of engineering science degree. He subsequently continued his education, again on a scholarship, at **Purdue University**, where he took his second masters, this in industrial administration.

Following Purdue, Mr Irwin joined **Kerr McGee** in Oklahoma City on an MBA program. This experience was what set

him on his ultimate career path. Working in corporate development and finance for 2 years at **Kerr McGee**, Mr Irwin became immersed in the broad sweep of the petroleum industry, from exploration and production through pipeline and refining. He was involved in assessing and conducting acquisitions and generally expanding the company.

Before long, Mr Irwin was pretty much able to punch his own ticket, thanks to his solid engineering and management background, and the key contacts he'd made over the preceding couple of years. He chose **Kerr-McGee's** drilling subsidiary **Transworld Drilling Corp**, which operated offshore rigs both in the US and internationally.

"It seemed like a very exciting area to get into, and it grew on me," Mr Irwin remarked. His interests in travel and the opportunity to work internationally played key roles in his decision to join **Transworld**.

And beyond that, going to sea is something of a tradition in his family. "Many in my family were in the navy, served as mariners or had lives linked to the sea," he said.

He didn't know how exciting until he found himself working pipe dope onto stands of drill pipe. His hard-earned diplomas had bought him a slot roughnecking offshore Louisiana on the **Transworld** submersible Rig 54. Whatever he thought of his abrupt turn in the road, it was far different from warming a chair at the corporate office!

"It was sort of like starting all over again," he said.

During 1972-73, he covered many operational bases—roughneck, roustabout and barge engineer, working both in the Gulf of Mexico and the North Sea during the heady early days of that prolific basin's development.

That North Sea experience decided him on his future career track, if any doubt still remained. "That's when it really got in my blood," Mr Irwin said. He gained 5 years of solid international experience, engaged in rig construction in Singapore and subsequently in rig operations in Burma, Nigeria and Sharjah. He quickly worked his way up, rising to Operations Manager.

The havoc that Mother Nature can

unleash was a revelation to the young man from Down Under. Mr Irwin was treated to his first taste of harsh marine environments in the North Sea, weathering several stiff offshore winter storms that he remembers to this day. In Burma, his rig, the Transworld 63, endured cyclones and fierce offshore storms. One storm offshore Burma, he recalls, devastated nearby fisherman. Mr Irwin and his colleagues on the rig worked frantically to assist the hapless fisherman by providing them flotation devices.

"The whims of the weather were really a revelation," he said. "Weather reporting and communications were not nearly as sophisticated then as today. Preparedness was vital."

In 1978, Mr Irwin was promoted and returned to the US, serving in South Louisiana.

At this, the start of what would become the "boom", industry activity was accelerating to a fever pitch. Mr Irwin was on a steady merry-go-round of travel, rig moves and operations.

"I squeezed a lot in," Mr Irwin said. "I learned a lot."

He finally allowed himself enough time from work to squeeze in a family. It was in South Louisiana that he met and married **Margo Mayon**, a native of Morgan City. The couple have 2 children—**Josh**, 19, and **Elizabeth**, 18.

In 1979, Mr Irwin moved to Atwood Oceanics. He joined in July and has been with the firm for more than 20 years. He became Vice President-Operations in 1980, Executive Vice President in 1988, and President/CEO in 1992. Along the way, Mr Irwin also completed the Advanced Management Program at Harvard Business School.

"Being at Atwood has been my life," he said. "It's afforded me other opportunities to do a lot of the things I like, such as traveling. Most importantly, I have the honor of working with a lot of great people in this organization."

"To have been here through the 1980s and survived that and to still be here today with the same company is very satisfying," he said. "I take great pleas-

ure and pride that we survived the '80s and are well-positioned now."

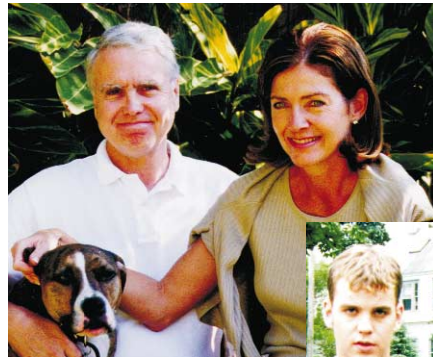
Atwood was formed more than 30 years ago. The company was internationally oriented from the get-go, Mr Irwin explained: Its first contract was for a drilling barge in Brunei during 1970.

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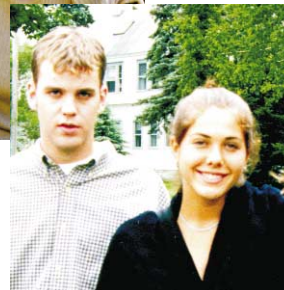
That precedent has been faithfully pursued ever since.

"We consider ourselves a niche company with strengths in a variety of areas," he said. "We focus on our niches carefully and then we try to apply those strengths internationally. We have tried to focus on those areas that are a natural extension of our experience and expertise."

The company's core areas include bottom-supported rigs, floating units and platform operations. Most recently, the



John and Margo: John met and married Margo Mayon in South Louisiana. They have 2 children, Josh, 19, and Elizabeth, 18.



company has moved into the deepwater arena. In 1997, Atwood successfully upgraded 2 semisubmersibles for deep water, the Atwood Hunter and the Atwood Southern Cross. The company upgraded the Atwood Hunter to 3,500-ft water depths under a contract with **British-Borneo** for Gulf of Mexico oper-

ations. Similarly, the second-generation Atwood Southern Cross was beefed up to operate in 2,000-ft water depths. In '98, Atwood upgraded the semi Atwood Falcon to 3,500-ft water depths. The company also owns and operates the 2,500-ft water depth semi Atwood Eagle.

However, the company has steered clear of the ultra-deep-water business. Mr Irwin explained that the investment required for that niche did not make sense for a company of Atwood's size. The upgrades to moderately deepwater, Mr Irwin says, represents a better opportunity for the company's shareholders. As opposed to the ultra-deep, upgrades of the scope Atwood has pursued can be completed with less risk of exceeding time and budget constraints. Further, operating risks are less than in the ultra-deep.

In addition to its 4 semis, Atwood owns and operates 5 other drilling units. One, the 300-ft jackup Vicksburg, was upgraded in '98 with an extended cantilever, repowered and its legs strengthened to allow for subsequent extension, as the need might arise. Atwood also owns the submersible Richmond, the semisubmersible drilling tender Seahawk, and 2 platform rigs, Rig 19 and Rig 200, the latter in partnership with **Helmerich & Payne International Drilling Co**, a large minority shareholder of Atwood Oceanics. The company also enjoys management contracts on 2 other platforms. Rig 200 just completed a successful contract in the Bass Strait of Australia for **Esso Australia**. The rig, designed, engineering and built in 1996 by Atwood and Helmerich & Payne IDC, is highly automated with cutting-edge pipe-handling technology and instrumentation.

Rig 19 recently achieved an enviable safety milestone while working for Esso Australia, completing 11 years without a lost-time accident.

As for many diverse drilling contractors, deepwater is the fuel that fires its revenues. About two-thirds of Atwood Oceanics' revenues flow from the deep.

A nice niche: In this age of consolidation, John Irwin observes that niche firms nonetheless play a vital role. Atwood Oceanics maintains an international scope, with operations across the offshore spectrum, save only the ultra-deep-water sector. Shown with Atwood Richmond toolpushers Dennis Higginbotham (left) and Jimmy Duhan.



'Consolidation has a role to play. But I still believe there's a role for the smaller niche companies who are able to provide quality service and equipment to their clients and can focus on that internationally'

A similar amount also stems from its international, as opposed to its Gulf of Mexico, operations.

Australia has long been one of Atwood's chief operating areas. It was also part of the attraction of the company for Mr Irwin.

"We've been in Australia a long time," he said. "That was one of the things that drew me—the chance, in addition to working internationally, to spend some time in Australia."

FOR TIMES GOOD AND BAD

BP Amoco chief Sir John Browne was recently quoted as saying that predicting oil prices was a fool's game. While Mr Irwin may not concur 100% with that statement, he nonetheless spends little time contriving scenarios for the future. Instead, his management philosophy is to prepare simultaneously for good and bad times.

"We'll try to have a strategy for the upside, but for the downside, as well,"

he said. "We don't depend on predicting the future."

The company strives for a mix of short- and long-term contracts. Atwood particularly values long-term contracts and will sacrifice in dayrate to achieve them, Mr Irwin said.

"Often you get an opportunity to make a 3- or 4-year contract and we try to pursue them," he explained, "even if the dayrate's not the highest."

During 1993-98, Atwood succeeded in

maintaining 99% utilization, he said. While that was not uncommon during '96-98, it says a lot for the doldrum years of 1993-95.

"In the last upswing there were many long-term opportunities in the deeper water and for semis," he said. "The opportunities were less, though, for other types of units."

Still, though, the tender Atwood Seahawk recently won a 4-year extension to its just completed 7-year contract with **Esso Production Malaysia**. The tender was upgraded in Malaysia and will be equipped with a new derrick equipment set, which departed Houston in October to return to operations in Malaysia.

BRIGHT, CYCLICAL FUTURE

While Mr Irwin is optimistic that the industry will enjoy improved fundamentals in the next few years, he cautions that the business is inherently cyclical. He urges continued conservatism in drilling management. This, he says, is what separates today's survivors from those who foundered in the '80s depression.

"Those around today are the survivors," he said. "These are the companies who learned what it takes to survive—a more conservative approach."

Atwood Oceanics was consistently conservative in investing in equipment, he said. It did not plunge into massive building programs on spec, and has always been able to meet its financial obligations. "That's saved us in a cyclical business," Mr Irwin said.

The cycles, he believes, are growing shorter. It took some 15 years to overcome the crash of the '80s. This was largely due to the huge overhang of both oil and gas supplies and the consequent depressing effect on commodity prices and on rig demand and dayrates. Rig supply and demand were pulled farther out of kilter by the energetic speculative building binge many in the industry undertook in anticipation of a long period of prosperity.

Today, because of accelerating hydrocarbon demand and disciplined production by OPEC, commodity prices have strengthened. Signs are positive for the global oilfield service industry.

The challenge, he says, is to maintain a

more disciplined approach while growing the drilling industry.

"As we move forward, the industry faces the challenge of building our people base and reinvesting in our equipment," Mr Irwin said. "First, we must find and attract people. Then, as activity picks up, the fleet will continue to age. The

issue of reinvestment will become more than an idle question."

SAFETY: JOINT LEADERSHIP

Improving rig safety is among Mr Irwin's focal points. "The continuing focus on safety is paramount for all," he said. Atwood Oceanics implemented an enhanced safety management system fleetwide in 1997.

Mr Irwin stressed that safety demands joint leadership, with special focus on human behavior. "Statistics show that most accidents are due to human factors," he said. The challenge is creating a culture where we focus on attitudes. Atwood's goal is to create a strong safety culture supported by leadership throughout the organization.

"I think that if people at the field level

NICHE PLAYERS

The global drilling industry remains arguably the least consolidated sector in the oilfield-service industry. Many analysts expect a continuation into the next century of the wave of mergers and acquisitions that swept the late '90s. These observers point to a critical mass in other oilfield segments of just 3 or 4

Safety—A focus on people: Improving safety is paramount to Chairman Irwin. He believes the key to preventing accidents and incidents lies in developing and nurturing a culture where safe actions are the norm. Above, he recognizes Atwood Richmond welder Kenny Mason (far right) for his part in helping the



Atwood Richmond achieve 3 years without an LTA. Center: Atwood Gulf Coast Operations Manager Larry Holloway, currently responsible for the Richmond and the Atwood Hunter.

believe in the safety culture and maintain that awareness and commitment on a day-to-day basis, we will all be able to keep focused both on safety and the job at hand."

TECHNOLOGY

Technology continues to open new doors for the E&P industry. Mr Irwin applauds extended-reach drilling as key to lowering finding costs in a difficult commodity-price environment. ERD has played an important role in operations by Atwood rigs, especially its platforms.

"That capability has meant that more drilling has been accomplished in certain areas than would have been done otherwise," he said.

Another vital technology is improved seismic capability, which has greatly increased operators' chances for drilling success and enhanced the ability to locate and drill small prospects.

He also points to the advances that are opening up the deepwater frontier. "There's a whole array of technology that's allowing us to drill in increasingly deepwater water," Mr Irwin said.

companies controlling 80%-90% of their respective markets, predicting that this model should hold for the drilling industry as well.

But will it? Mr Irwin ranks among the doubters.

"Consolidation has a role to play," he acknowledges. "But I still believe there's a role for the smaller niche companies who are able to provide quality service and equipment to their clients and can focus on that internationally."

Like Atwood Oceanics, for instance.

Mr Irwin pointed out that consolidation is proceeding more slowly than some have predicted, though rumors of earth-shaking buys reverberate across Houston and the oilfield in periodic waves.

There's a reason for the slowdown in buyouts, he says. "There is not the compelling cost savings to drive consolidations from the shareholder point of view," Mr Irwin said. He points to the high degree of capital intensiveness in the drilling business. Consequently, for consolidation to make sense, the partners—either willing or unwilling—must share certain synergies, whether in operational niche, geographic location and so on.

"Even when a few companies control 75%-80% of the market, someone is doing that other 20%," he said.

IADC: STRIKING DIVERSITY

IADC celebrates its 60th birthday in Y2K. The association has transformed itself since its 1940 origins, evolving with the industry and expanding around the globe. Like John Irwin, the Interna-

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tional Association of Drilling Contractors has come a long way in its walkabout path to maturity. One of the most striking features about IADC, observes its Chairman, is its striking diversity.

"During [the past 60 years], the industry has changed tremendously with the advent of offshore drilling and by the increased multinational nature of the business," Mr Irwin said. "IADC will have a challenge to continue meeting the needs of its diverse member base."

Indeed, IADC represents land and offshore contractors, some operating in relatively small geographic markets, and others pursuing an all-out global strategy. Others are in between, operating in a few carefully chosen markets around the world. And it is not only the needs and interests of drilling contractors that so differ. Increasingly, so do the needs and the demands of their customers, themselves a diverse mix of independents small and large, some with an international outlook, others more parochial, and major producers with global agendas.

The challenge for IADC is to serve its members in regional and global milieus. For example, to operators with multinational pursuits, the development and imposition of international standards for drilling rigs, performance, training, etc, makes sense. However, it is problematic—even questionable—whether

producers and contractors with a narrower scope need comply or adopt measures often more stringent than their situation requires. This is true whether the local market is Norway or West Texas.

On balance, IADC believes that standards and specifications should be evaluated on their individual merits. When they are a square peg in any particular round hole, regulators and standard setters should be wary of applying a sledge hammer. It's also important that producers recognize their responsibility in funding standards they endorse and require.

In general, as well, local rules and needs should take precedent over international standards.

Mr Irwin sums this philosophy up: "It will be a long time before one shoe fits all," he said. We have to recognize the importance and increasing shift to international standards. However, we must ensure for our members that special regional needs are observed."

Having said that, there remains plenty of room for global harmonization, he points out. IADC continues at the forefront here in several areas, notably the development of training standards for rig safety, well control and, over the past year, for general rig positions. "This is an area where we can optimize the contractors' expertise," he said.

A VIBRANT IADC

Through 60 years, IADC has remained vibrant, Mr Irwin said, through a combination of strong volunteer participation by its members supported by a well-trained professional staff. "We depend on the participation and volunteer efforts of our members to keep IADC vibrant and fully effective," he said.

IADC is close to John Irwin's heart—and not simply because his office is located across the street from IADC's global headquarters in Houston! He has served in a number of IADC leadership positions, including Vice Chairman (1999), Secretary-Treasurer (1998) and

2 terms as IADC Regional Vice President-International (1995-96). He has also served on the IADC Executive Committee.

As the first IADC Chairman of the new millennium (except, perhaps, to those purists who will kick off the 21st Century only on 1 Jan, 2001), Mr Irwin is an appropriate Janus for the Association—looking back over 60 years of accomplishment and simultaneously toward the future of the world's E&P industry.

In that crystal ball, he foresees a continuing strong IADC that will ever more effectively serve the needs of its diverse membership.

"As we enter the new century, IADC must continue as THE flag bearer for the drilling industry," he said. "And that industry will grow increasingly strong as it attracts quality people in the future."

If that's the destination of the walkabout, it's a future we all can relish. ■