

IADC, oilfield firms go live with e-commerce

by Jerry Greenberg, Contributing Editor

IT'S AS IF everyone had the same idea at the very same time. More than two dozen companies were established to provide various forms of e-commerce and e-business solutions to the oil and gas industry. That figure seems to grow at least weekly. A somewhat lower number have actually launched their service.

IADC recently kicked off its e-commerce service, enabling registration for conferences and the purchase of publications, drilling-data forms (such as the IADC Daily Drilling Report), textbooks and other materials.

"Activity over the Internet for IADC publications and conferences has been hot and heavy already, and we haven't even had a chance to promote the service yet, at least not through the traditional snail-mail routes," remarked IADC Vice President-Member Services **Mike Killalea**.

The driving force behind IADC's e-commerce has been the Association's webmaster **Steve Kropla**, also Director-Accreditation and Certification Systems. He received valuable input from then-IADC Vice President-Member Services **Ken Fischer** (now Vice President-Operations), IADC Director-Finance and Administration **Donna Carnahan**, IADC Publications Manager **Jason McFarland** and IADC Conference Director **Leesa Teel**.

This system provides a convenient way to make online purchases of IADC publications and to register for IADC conferences using real-time credit card processing. Publications orders are shipped to US addresses via UPS. Orders to addresses outside the US are shipped by DHL.

COMPETITION & SYNERGIES

As the e-oilfield builds, firms are steadily aligning themselves with or acquiring other technology companies in their bid to provide the best and most innovative service to the energy industry. Many of the alliances and acquisitions to date involve an e-commerce provider combining with a software developer to provide more and better procurement or data services.

Nearly all of the e-commerce and e-business companies providing services to the energy industry take every opportunity to announce which oil companies have invested in their company or have signed on as subscribers or members.

Energy companies providing support by investing in particular e-commerce companies include **Burlington Resources**, **Ocean Energy**, **Unocal**, **EOG Resources** and **Triton Energy**. Venture capital firms investing in the business include **Morgan Stanley Dean Witter Private Equity**, **Goldman Sachs** and **Warburg Pincus Ventures**.

Other website portal companies are supported by large industry players such as **Schlumberger**. Several large major oil



e-IADC: iadc.org now facilitates real-time credit-card purchases and conference registration.

companies are joining the fray as well. **Chevron**, **BP Amoco** and **Shell** announced e-commerce ventures to procure services and market surplus equipment.

SEEN ONE, SEEN THEM ALL?

On the surface, most of the e-commerce and e-business companies directed at the energy industry appear very similar if not identical. But there are significant differences when one looks deeper.

Most of the e-commerce and e-business companies today fit more or less into 3 categories: services facilitation such as the procurement of services for the drilling, completion or workover of a well; auctions of services and new or used equipment; and the acquisition and divestiture of properties. Following are brief descriptions of several types of website portal companies.

Wellbid offers procurement of well drilling services and says they are the only company up and running offering anything other than an auction. The company was established in March 1999 and went online last October, making Wellbid one of the oldest such companies in the e-commerce business for the energy industry.

To use the Wellbid site, oil and gas companies and vendors and suppliers become members, eventually paying a subscription fee depending upon the service accessed through the company. A fee also will be charged to the buyer and seller following a successful transaction. In order to gain members and subscribers, Wellbid, like many other start-up companies in the e-commerce business, waived subscription fees for the first few months.

The company earlier this year reached 650 members. "We are adding about 50 members a week," said **Jim Hine**, Chief Marketing Officer for Wellbid. "They are joining free now with the

understanding that they will be charged a fee later. We would not be doing this if we were not comfortable that virtually all of the members will conclude that this is a great value.”

Using Wellbid, an operator or drilling engineer specifies the detailed physical, geographical and time requirements for the equipment and services required to drill and complete a new well or multi-well project, or to repair an existing well.

“We offer complete templates that guide a petroleum engineer on all the specifications on both the operating company and supplier side,” Mr Hine said. The drilling engineers use the templates to specify their needs in up to 22 categories ranging from a drilling rig to cementing, stimulation and perforating services.

The requirements are automatically sent through the Wellbid service as bid requests, requests for quote or requests for AFE proposal to the operator’s list of approved vendors via e-mail, fax or wireless notification. Vendors and suppliers can then respond to these requests either through Wellbid or by telephone, fax or e-mail.

A company that conducts online auctions is **NetworkOil**, which boasts several energy industry players as investors in the company. Among them are Unocal, Burlington Resources, Ocean Energy, **Santa Fe Snyder**, **Union Pacific Resources** and EOG Resources. The company says more than 170 oil and gas companies and more than 250 supply companies have registered to use the site, and emphasizes that companies do not have to be investors to register on the site.

“With a lot of start ups, the first round of funding is to go to the venture capitalists,” said **Sally Charpiot**, Vice President of Marketing for NetworkOil. “We went to the oil and gas industry, the investment banks and the oil and gas companies. It wasn’t so much the money as much as a way to get them involved in giving us feedback about the functionality of the site.”

Nevertheless, NetworkOil raised \$10 million from companies and individuals in the oil and gas business. Founded in September 1999, the company initially raised \$1.85 million from a small group of “founding shareholders”. During the company’s second round of funding that closed last March, \$35 million was raised from venture capital firms.

“The kind of feedback in the first round of

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5 - 6 June 2000 - Paris, XX
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Product Name	Quantity	Unit Price	Total Price
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TOTAL			\$0.00

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At top is a sample on-line conference registration form from IADC’s website. Immediately above is a typical shopping cart for shopping for the popular IADC Accident Prevention Reference Guide.

transactions were things that we didn't intuitively think about building into the functionality of the transactions," Ms Charpiot said. "For instance, some suppliers, for whatever reason, may not want to bid on a project, and we did not have a 'no bid' option."

The results of NetworkOil's first week of transactions last February was valued at approximately \$400,000 when 19,000 ft of pipe was traded over the company's website as part of its Pathfinder Evaluation, a closed testing pilot program conducted with a controlled group of oil and gas companies and the suppliers.

During the evaluation, eight of the ten largest oil country tubular goods distributors offered bids to EOG Resources, according to NetworkOil. EOG Resources will use much of the equipment traded during the evaluation for a Gulf of Mexico project.

When a buyer requests a bid, each selected supplier is notified by e-mail and suppliers respond to the bid request through NetworkOil where their price is posted and secured. The buyer is then notified



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WellBid offers a leading business-to-business, e-commerce service for the upstream oil and gas industry, providing a secure, neutral, online exchange for the negotiation and purchase of well-related products and services by oil and gas operators, producers, drilling engineers, vendors, suppliers and service companies.

WellBid is a B2B e-commerce exchange that is rapidly improving the way business in the oil and gas industry is conducted. We provide a business solution that streamlines the procurement process for well drilling, repair and workovers. Much more than a simple, consumer-style portal or online auction, WellBid improves the existing business processes for well-related procurement, using e-commerce to help oil and gas professionals save time and money while preserving and strengthening existing relationships between oil and gas veterans.

Since its inception, WellBid has consciously avoided creating an online application that promotes the buying and selling of services based on price alone, helping both operators and service companies achieve cost-effective business solutions through e-commerce.

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Age is relative in the burgeoning e-oilfield. Wellbid, which was established in March 1999 and went online last October, is one of the oldest. The company offers procurement of well drilling services ansays it is the oldest oilfield e-commerce firm outside procurement of well drilling services. Another firm, NetworkOil, conducts auctions to provide drilling services and equipment. EnergyPortal.com, due to come on line in May, will offer a similar service, but for production.

and transactions are complete when the buyer responds by accepting one of the bids. NetworkOil receives 2-3% of the transaction amount, which is paid by the supplier, Ms Charpiot said.

EnergyPortal.Com is similar to NetworkOil in that it is a general procurement portal using the auction process. However, it is designed for procuring goods and services related to production and operations of facilities such as pipelines and production facilities rather than procuring services to drill a well.

"You are specifying a part description, perhaps a part number if you have one, and how many you need," said **Doug Fortner**, Manager of Product and Service Delivery for EnergyPortal.Com. "At that point you send it to your preferred vendors, or you could send it to a pool of vendors."

"We provide 3 areas of service," Mr Fortner continued. "One is e-commerce, the procurement. We also have a content service where we provide information content to the industry, whether it's drilling, production, pipeline, manufacturing, refining, etc. And we also provide a community service giving our subscribers the ability to set up forums to communicate independent of us."

While pricing for subscribers is still in the early stages, there will be either a subscription fee or transaction fee or possibly both. Several test transaction have been conducted between a couple of buyers and 5 or six 6.

EnergyPortal.Com was established in November 1998 and

came out with its prototype website and service in June 1999. Launching of the service for the public is scheduled for May.

IndigoPool, a subsidiary of Schlumberger, is an e-business portal for the acquisition and divestiture of oil and gas properties. The portal helps market oil and gas properties around the world and plans shortly to offer data management services through its **GeoQuest** division.

IndigoPool was developed following the successful launch of the License Information for Trading (LIFT) website that offered oil and gas license trading in the United Kingdom. Schlumberger subsidiary **GeoQuest** developed LIFT with the **UK Department of Trade and Industry** and the UK Offshore Operator's Association. LIFT was launched in November 1999 and presently has about 100 properties valued at approximately \$370 million on the website. Clients include **Amerada Hess, BP Amoco Exploration, Burlington Resources (UK), Chevron, Elf Exploration, Enterprise Oil, Shell and Texaco.**

Three levels of service are available. "Level one is basically access to IndigoPool as a marketing tool to list properties for sale," said **Alfredo Santolamazza**, General Manager of IndigoPool. "In level two we begin to bring in more detailed economic information plus make available software tools that will allow the potential buyer to run interactive economic evaluations or analysis of the property."

"The third level is what we call virtual interpretation centers during which we make available to the buyer every bit of data available for a specific asset," Mr Santolamazza said. "We also

plan to make available to them data management solutions from GeoQuest and economic software tools.”

As with other recently launched services, pricing structure has not been finalized. Subscribers to IndigoPool will likely pay an annual fee. There could also be a posting fee for level one information. “Sellers could use us like a real estate type of company where they post their property and pay us a fee,” Mr Santolamazza said. “For levels 2 and 3 there is the possibility that a bonus will be paid to us upon a sale taking place.”

TOO MUCH OF A GOOD THING?

One e-commerce company identified more than 30 other upstream oil and gas e-commerce companies. That does not include e-commerce services for other industry segments such as transportation of product marketing and trading.

“If you are a service company,” Mr Hine said, “that means potentially unless you support what I call an industry standard, you are going to wind up supporting five or six systems that are similar but different.”

“With the tremendous momentum, the inevitability of some kind of convergence in the emergence of an industry standard is pretty clear to me,” Mr Hine added.

“I think there will be some consolidation and shakeout,” Mr Fortner said. “I don’t think there will be one or two companies, I think there will always be several. The space is so open and

active that for a few years there will be several of these types of companies.”

“We have already talked with several of our friends in the industry about exploring how we could supply better value to the industry,” Mr Fortner said. EnergyPortal is expecting to launch its services during the Offshore Technology Conference.

“Quite frankly,” Ms Charpiot said, “some of the companies making announcements today as being the e-commerce solution are not going to make it. Nobody knows (who will survive) but you have to look at where people are placing their bets.”

NetworkOil said more than 30 oil and gas companies have invested in the company. “NetworkOil can say that people are placing their bets on the company,” Ms Charpiot said, “so they have a reason to help us succeed.”

An executive with one Internet procurement company said that at the end of the day the energy industry really needs only one, apparently meaning his company. He said his company intends to be either the provider of a solution to smaller independent oil and gas companies, or part of the solution for major oil companies.

“We will announce acquisitions and in some cases joint development partnerships and possibly we will be talking about mergers later,” he said. “But it is very clear to me that not all of these kids will be making it to the finish line.” ■

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Map to our Wellsite on the Web

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