

# GeoWorld

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## Everyone CONCERNED Everyone INVOLVED

### Message from the new President and Executive Vice-President

Despite the ongoing difficulties of operating in the present economic climate, we believe that by fully utilising our extensive human and material assets, we will be successful in assuring our continued growth and profitability. Having both worked on the wellsite, we know the importance of everybody's involvement in maintaining standards of quality and ensuring client satisfaction.

We firmly believe that with everybody's commitment, our technological expertise, innovation and professionalism, we have all the ingredients to turn this objective into reality.

More than ever, we need everyone working together and fully supporting this goal so that Geoservices will emerge stronger and better prepared to meet the challenges of the future.

Bruno Burban Benoît Debray

**Bruno Burban** - joined Geoservices in 1982 as a mudlogger and went on to hold various technical, commercial and operational positions between 1985 and 1990. He was appointed Technical Manager in 1990 then Deputy Managing Director in 1994 and Chief Operating Officer in 1995.

**Benoît Debray** - began his career with Elf Aquitaine as a reservoir engineer. He joined the Production Services department of Geoservices in 1986 before holding management positions in the technical department and later in the marketing and development of GEOTOP. Technical Manager for petroleum services in 1994, he was seconded as Deputy Director, Drilling and Production with IFP in 1997.

### Results for 1998

Despite a particularly difficult second half of 1998, Geoservices turnover only saw a slight reduction over the previous year; it dipped 3% to FF1.361 million from FF1.404 million in 1997.

competition due to the severe drop in crude oil prices during the year (North Sea Brent fell from over US\$15 in January to less than US\$10 in December) we managed to maintain our operating income at 10% of turnover.



Presidents past and present Gaston Rebilly (1958-1990), now Président d'Honneur and Bruno Burban (1999) at the annual barbecue organised by the Comité d'Entreprise, Le Blanc Mesnil in June



Also at the barbecue, Benoît Debray, Executive Vice-President (left) talks to Alain Delvas, Industrialisation Manager

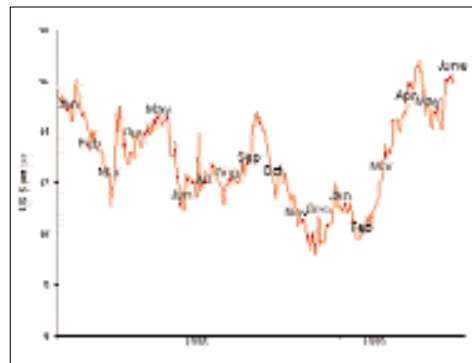
Each service line was affected differently by the reduction in exploration and production expenditure among our client oil companies. Mud Logging fared best but Directional Drilling was the worst affected due to a high proportion of its work being in mature oil fields on both the continents of America. Production Services activity remained stable but Integrated Services suffered from a sharp decline in activity by a major client, PDVSA of Venezuela.

Even though we saw an increase in

This result is primarily due to a continuous effort in terms of cost-savings and the dedication of everyone to improving efficiency. Bearing in mind that 1999 will also be a difficult year, this special effort must continue if we are to finish it in better shape than our competitors.

Our net income, however, was down, mainly due to variations in currency exchange rates and exceptional provisions allocated to reorganising the Group.

1998 was a difficult year. Thanks to everyone's efforts, however, Geoservices was able to maintain the leading position it has acquired among oil service companies over the years.



Graph showing the healthy rise in the price of Brent crude since last shown in GeoWorld in March

Everyone **CONCERNED**, Everyone **INVOLVED** *continued***PROSPECTS FOR 1999**

The prospects for 1999 were looked at on the occasion of the last Management Committee meeting held on the 2nd and 3rd June. The Area Vice-Presidents and Service Line Managers analysed the first few months' activity and determined with General Management the way forward, the objectives to aim for and the means with which to do it.

Even though the price of Brent crude has since recovered to around US\$16, it is unlikely that activity will pick-up before the end of this year. Oil companies prefer to see a certain period of price stability before starting to invest again. This means that the effort made in 1998, as regards personnel and fixed costs, must be continued since the aim is to show a balanced or near balanced net income result for the end of this year.

The 1999 budget was drawn up with a view to resizing our activities so as to concentrate our talent in the most promising markets for our respective services. Comparison of the real and budgeted income since the beginning of the year

show a significant decline in activity in the second quarter.

Some areas are more affected than others (the Gulf of Guinea, Libya, Latin America and directional drilling in North America). Nonetheless there are some encouraging signs:

1. consolidation of mud logging work in the Gulf of Mexico,
2. the US dollar is holding at an average of FF5.90 while the budget was done taking a dollar at FF5.50,
3. the objectives fixed by the budget for external consumption are being met.

We still need to be vigilant, however, considering the decline in activity recorded since April and which is expected to continue until the end of the year.

During the recent Management Committee meeting, in the presence of the shareholders, the new General Management declared its wish to stabilise the organisation and to introduce a new operating method for the Group. This is intended to provide greater transparency and increase the involvement of everyone in the life of the company.

It revolves around four main axes:

- the general organisation of the Group, as it exists today will not change in the short term,
- a reduced Management Committee has been established to enable continuous study of the Group's orientation,
- steering committees have been created to govern the following:
  - Marketing and Technical
  - Human Resources
  - Administration
 these committees gather the representatives of the different departments and regions concerned who are responsible for proposing action and evolution. Propositions accepted by the Management Committee will serve in drawing up the annual budget.
- in keeping with the Board's wish, a Strategy Committee, presided by M. Olivier Issenmann, assisted by Msrs Jacques Burger and Maurice Laurent, has been appointed to work in liaison with company management.

Finally, a Group Seminar will be held once a year, at the beginning of December.

## T E C H N I C A L A C H I E V E M E N T S

**COAL BED Drilling****Another niche for EM MWD Directional Drilling services**

The methane gas associated with coal seams used to be more of a nuisance than an asset. It was the dread of miners and caused many deaths over the years. The story is very different today, particularly in those areas where it has drawn the attention of gas marketers eager to exploit another source of natural gas. Coal seams are usually not very thick and are therefore best exploited with horizontal drilling technology for drainage purposes. They can also be damaged by conventional drilling mud so are best drilled with air, air-mist or water. These are the very conditions where Geoservices EM MWD tool can make a big contribution to drilling performance, and that is just what it is doing at present in the Appalachian Mountains, West Virginia, USA. Our clients there, being coal producers, are more interested in the coal than the methane. They are drilling the coal in

order to de-gas it prior to the arrival of the mine. The produced gas is then sold. United GeoCom Drilling Services, our joint-venture with Computalog Ltd. in the USA, drilled 8 multilateral horizontal wells in coal beds in West Virginia in 1998



Rigsite in West Virginia for coal bed methane drainage drilling.

and has already drilled 3 this year. The coal is found at approximately 1000 ft (300 m) and is drilled slimhole with a 4 3/4" bit and our 3 3/8" EM MWD tool. Short radius drilling is required, anything

up to 65°/100 ft build rates. Many drains, or legs (up to eleven so far) off the main borehole are drilled to ensure maximum gas drainage. To date we have drilled over 19000 ft of lateral drain-hole from a single well pattern. The Oriented Gamma Ray (OGR) probe is used to optimise the position of the borehole in the coal by warning when the bit risks exiting the coal seam. This saves costly and time-consuming sidetracks and maximises the footage of coal being drilled. Bill Beattie, United GeoCom LLC Operations Manager says "We've had a great record with the 4 wells drilled so far this year. We gained valuable experience last year; and, after modifying our tools and techniques, have clocked up over 900 hours drilling and circulating without a single malfunction. The OGR has been of great benefit in keeping us in the coal, and preventing sidetracks, up to five a well".

NEWS FROM THE REGIONS



North America

Mud Logging on the rise

Geoservices mud logging activity continues to increase in the Gulf of Mexico. A new contract started with ELF Petroleum in May 99, and the service includes a Reserval and real-time data transmission to the client's office in Houston.

Gabriel Corcoran left Geoservices in May to follow a career with Emergent Management Consulting in San Francisco, outside the oil industry. Gabriel had been with Geoservices for 15 years and was instrumental over the past two in the growth and success of mud logging in North America. We wish Gabriel and his family the very best of luck and thank them for their dedication to Geoservices over the past 15 years. Chris Platt (previously Middle East District) has taken over from Gabriel.



Gabriel cutting his farewell cake in Houston as Mike Kulka, MWD Sales Manager for the US, looks on.



Latin America

Successful Frac in Colombia

Geoservices DST tools were used to perform a successful Massive Hydraulic Frac (MHF) in Columbia recently. Due to the well construction, a retrievable packer needed to be used during the frac job. Our MSG Packer and Hydraulic Holddown proved to be an ideal candidate for this work. Other tools run were:

- **Slip Joints:** compensation for tubing movement caused by temperature change.
- **TTV:** pressure testing the string during run in.
- **AORV:** to reverse out proppant in case of sand-out.
- **Jar/Safety Joint:** to aid in retrieval of packer if required.

Initial results show a two fold increase in production. Congratulations to all involved.



Asia-Pacific & Middle East

Integration of the Middle East District



Mr Abdul Aziz, Mark Badcock, Mr Saeed Mattar (Geoservices' Sponsor) and Lex van den Heuvel enjoying a traditional meal of young gazelle in Abu Dhabi.

In order to integrate the Middle East District into the Asia-Pacific Region as smoothly as possible, Mark Badcock, previously Business Development Manager for Indonesia has been promoted to District Manager Middle East, reporting directly to the Asia-Pacific Vice President. We now welcome to the newly named Asia-Pacific and Middle East Region Damodar Kumar as Middle East District Operations Manager, Milton Lewis as Accounts Administrator, Didier Testud as Sudan Country Manager, Sami Ben Aicha as Base Manager Yemen, Ermanno Dall'Armi as Base Operations Co-ordinator Qatar, Zarina Mansoor as Co-ordinator in Oman and, for Abu Dhabi, Raphael John Therattil as Base Operations and Logistics Co-ordinator, also covering all single string activities in Bahrain and Jordan.

Indonesia and Thailand brought us new long-term memory gauge contracts with well-established clients, while Indonesia was also successful with its recent tenders for surface testing and DST services. After the success of our EM-MWD technology last year in one of the longest horizontal channel crossings ever undertaken (1383m) – the Ma Won Channel, Hong Kong, we have now been awarded a similar contract in Hong Kong by a new “river crossing” operator, starting in June ‘99.



Africa

Wirelining in the Congo

We are happy to report renewal of a 3-year wireline and downhole pressure measurement

contract with Elf Congo, albeit at a discount on the previous price due the current situation and strong competition. At the same time we won another contract away from a competitor with AGIP Congo for similar services but on a smaller scale.

By the way, we like the year 2000, since it has provided a good reason to replace the non-Y2K compliant permanent gauge sensors from Terratek with Geoservices own gauges and the PGMS data acquisition system which are Y2K compliant.



Europe

A 26-mile tribute

The idea of “Running the Marathon” came to us shortly after the tragic death of our friend and colleague, Chris Banks, in August, 1998. Chris was cared for by Macmillan Cancer Relief so, as a tribute, it was decided that we should help them.

Rob Taylor took up the daunting challenge, which involved months of training before the big day in London. “The 18th April is a day I will never forget as I joined about 32,000 other runners in all shapes, sizes and ages for the London Marathon”, said Rob. “The first 20 miles was quite magical in a simply amazing atmosphere as we ran and joked through the heart of the city. The next 6 miles was a battle and the last few hundred metres total



Rob Taylor (circled) with some of the 32000 marathon runners passing the Cutty Sark (old sailing ship) in Greenwich, London

elation - with a beer and a medal at the end. We raised about £3,600 (US\$5,700) for Macmillan Nurses for 5 hours of “exercise”. Thanks for all the support from everyone in Aberdeen, Stavanger, Paris, Singapore and Perth, our clients Total, BHP, Amerada and Enterprise and the British Safety Council.”

# The MILLENNIUM BUG

## - how seriously are we taking it ?

*The Millennium Bug is often referred to as the Year-2000 problem, or simply Y2K. Jean-Marie Penanguer, Geoservices' Y2K project leader, tells us how we are getting on.*

### When did Geoservices first think of starting a Y2K project?

It was actually our clients who started the ball rolling. In the summer of 1997, both Shell and Total sent us invitations to tender which included questions on Y2K compliance. This prompted us to look more closely at the problem and, by the beginning of 1998, Bruno Burban had launched our Y2K project.

#### *Some of the rumours - or what may happen in London and New York after "M night"*

- only 50% electricity supply available in the first weeks of January
- emergency service only in hospitals for 4 weeks
- 10 days disruption in the postal services
- schools closed for 4 weeks
- one month's disruption in all transport services
- maximum 75% of telecommunications service available at the beginning of January.
- stock market and banks closed for more than one week.

### You were put in charge of this project, how did you structure it?

First of all, we decided to adopt the standard produced by the British Standards Institute, BSI DISC PD2000-1, since this seemed best suited to our clients' requirements. We then got all the regional offices and all the departments in head office involved by appointing a manager in each and gave them a specific role. The project was planned out in four main stages:

- Inventory of equipment, diagnosis, and priorities
- Modification of equipment, testing the modifications
- Installation of compliant versions on all operations sites
- Contingency planning, preparation for impromptu problem solving

### *What's the problem ?*

*The problem is the result of what may turn out to be the biggest false economy of all time. Until relatively recently, computer memory was quite expensive, so, to save costs, the year part of a date was stored as just the last two digits rather than the full four. This works well so long as the first two digits never change, but when they do, as they will in the year 2000, older computers have no way of knowing that 00 means 2000 and will therefore treat it as 1900.*



### Some of the rumours about this problem make it sound like we are in for a mini-Doomsday, isn't it all a bit exaggerated?

Not necessarily, the problem is very real, as some people discovered when the credit cards they were issued with last year did not work because their validity was given as 00, so the cash dispensers thought they were 98 years out of date! The Dutch are taking it so seriously that they have divided their country into four areas and are creating separate back-up power supplies for each area in case there is a general electricity power failure. Suppose you are flying in an aircraft on the 31st December when the time-based fuel delivery system gets so confused at midnight that it just stops working! There are some potentially very serious problems for companies who have not found all the bugs.

### How do we make sure equipment supplied to us is Y2K compliant?

Some time ago we made Y2K compliance part of our Quality Assurance audits on suppliers. We have already examined all our key suppliers as regards their complete supply line and their line of communications.

What stage are we at now; will we make it? We are in good shape and any problems we may have overlooked should only be minor. Our mud logging equipment was all certified in January this year and we started installing Y2K compliant systems in April. We have a "Flying Squad" available who can intervene on site and also visit bases with a view to training personnel, taking audits and validating inventories there. The aim of course is to have all sites Y2K compliant by the 31st December, 1999 and we are convinced that we can do it. We are certainly confident that the quality of our services will not be affected because we will have a team of trouble-shooting technicians on call that night just as we do on any other night of the year.

For more information on Y2K, visit our Website or contact Jean-Marie Penanguer ([penanguer@geosrv.com](mailto:penanguer@geosrv.com))

### *One giant Leap...*

*Every 4th year is a Leap Year, right?*

*Wrong! If the 4th year falls on a 400th year, it is exceptionally not a Leap Year.*

*OK so every 4th year, except when it falls on a 400th year, is a Leap Year, right?*

*Sorry, wrong again! When the 400th year falls on a millennium year (as it does in 2000) it is exceptionally a Leap Year again.*

GeoWorld

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