

October, 2002

www.api-delta.org



## The APInion

### **RED CAVANEY, President and Chief Executive Officer: American Petroleum Institute**

Red Cavaney spent his earlier years running companies and organizations, rising to President and CEO of Ericson Yachts, Inc. of Irvine, CA, a major U. S. yacht manufacturer, and on the White House staffs of Presidents Nixon, Ford and Reagan. He was named Association Executive of the Year in 1997 by Association Trends magazine and received his Certified Association Executive (CAE) designation the same year.

In 1981, he served in the Reagan White House as Deputy Assistant to the President for Public Liaison, where he developed strategies for building private sector coalitions in support of President Reagan's legislative initiatives.

In 1994, Cavaney was appointed president and CEO of the American Plastics Council, a position he held until he joined API in 1997.

He is a director of API, Buckeye Technologies, Inc., and *Rebuilding Together*. He serves on the Advisory Board of Mullin Consulting. He is chairman of the Associations Division of the U.S. Chamber of Commerce, and chairman-elect of



the American Society of Association Executives.

He is a 1964 NROTC graduate in Economics and History from the University of Southern California, served three tours of combat duty in Vietnam and was honorably discharged with the rank of U.S. Navy Lieutenant in 1969. He and his wife, Victoria, reside in McLean, Virginia. They have two grown children.

*(see more details on back cover)*

**Annual Greater New  
Orleans Joint Energy  
Industry Association  
Luncheon**

**Thursday  
November 14,  
2002**

**THE CHALLENGE  
AHEAD FOR  
OIL & GAS**

**Red Cavaney,  
President & CEO  
American Petroleum  
Institute**

*Fairmont Hotel  
11:00 a.m.*

*\$25.00 per person*

*Advance reservations required  
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Please make checks payable to  
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# CHAIRMAN'S MESSAGE

As weather cools and fall time changes, we face serious challenges. Price of oil is steady, but rig count, drilling, and inventory numbers in the U.S. are not encouraging. Investment in E&P in the U.S. pushes forward timidly. Our country is at war with terror while our government seeks support to remove Saddam and his weapons of mass destruction from Iraq.

Saddam cries that we want control of Iraq's oil and uses misinformation as a powerful psychological weapon against the American and international public. Market speculators talk "war premium," and the price of oil fluctuates, as does the stock market.

The recent attacks on our country and what we stand for have forced me to think about what is important in my life. Is taking care of my family and performing conscientiously at my job sufficient? It is not enough to be a contributing member of an industry essential in times of peace and war, but education of the American public about our industry, and becoming involved in our community, must be important goals.

I am proud to support our API chapter through its educational initiatives. I am proud of the national API's commitment to improve the industry's usefulness through effective communication.

Please join me at the November 14th Joint Industry Association Luncheon, featuring our distinguished President and CEO of API. Mr. Cavaney's will address very timely topics: public perceptions; API's efforts to improve industry reputation; effective fact presentation; API working with other industry associations; communication tools developed by API; and API's desire for feedback. Please make reservations now for this exciting meeting on November 14, 11:00 a.m. at the Fairmont.

Weather made us postpone our Golf Tournament until December 13, 2002. There are still a couple of groups unfilled for the morning round; information is included in this newsletter. Special thanks to Bob Freeman, our Golf Committee, and our generous corporate and hole sponsors for making this year's tournament possible. Please plan to join us.

We welcome Mr. Eduardo Proano to the API-Delta board. Eduardo replaces API-Delta board member Dan Bordelon, who was transferred to Scotland.

See you at the November 14th meeting and December 13th tournament. Get involved — your ideas and effort count.

*Dwight Paulsen*

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# PHASE CHANGES IN HYDROCARBON MIGRATION — A NEW EXPLORATION PARADIGM

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At our August general meeting, Glen Gatenby told us first impressions and preconceived notions are often the norm in science and, in particular, in oil and gas exploration. It is very difficult to abandon accepted models even if they are sometimes built upon very sparse evidence.

“Hydrocarbons emerge from source rocks with oil and gas in a single phase and gas dissolved in water. As the fluids move toward lower fluid potential and temperature, solubility decreases and they phase separate; hydrocarbon migration does not occur in a single phase. I am here to generate ideas and discussion. The intent is to improve understanding of hydrocarbon migration. The physics of oil and gas solubility in water at high temperature and pressure is one key to the understanding of petroleum migration,” Gatenby remarked.

Results from GOM wells confirm that vertically migrating water saturated with methane at high temperature and pressure exsolve gas when migrating vertically. The solubility of methane in water when plotted versus depth reveals that major gas reservoirs are found where vertically migrating water would experience an abrupt decrease in methane solubility. Gatenby emphasized that “hydrocarbons are found proximally above depths where there is a significant change in the solubility of gas in water or oil in gas; this suggests that phase separation is a major aspect of petroleum migration.”

Solubility versus pay complements the pressure versus pay relationship (Leach, 1993), and forms the basis for a “novel exploration strategy.” Gatenby indicates that one possible explanation for the strong pressure

versus pay relationship is phase separation.

Glen discussed the giant 273 TCF Urengoy field in Siberia. Geochemical and geological studies indicate that the gas exsolved from water. There is a major decrease in the solubility of gas at the reservoir depths.

Well data from the Texas Shelf, Brazos area (Picaroon field, A19 B1) support the model that pays are found proximal to changes in solubility. Deepwater data from Mars, Thunderhorse, and Atwater 8 agrees. Vertical migration in Eugene Island 330 studies that suggest oil and gas phase separation at about 15,000 feet subsea, and these fluids migrated vertically through fractured rocks to charge the field, said Gatenby.

One particularly intriguing plot shown suggested a direct correlation between field size and change in solubility.

Solubility versus pay can be modeled ahead of the bit and used as an important new tool in understanding hydrocarbon migration. Temperature, pressure and salinity profiles are keys to calculate maximum solubility, but Gatenby noted that “solubility cannot be measured exactly.”

The concept offers explorers a model to target reservoirs well below the top of abnormal pressure. Gatenby predicts that new pays “sit above the depth where hydrocarbons phase separate.”

Gatenby’s thesis is a clear challenge to the traditional, geochemical prospecting paradigm. A full technical discussion can be found at <http://www.oilvel.com/gatenby.pdf>



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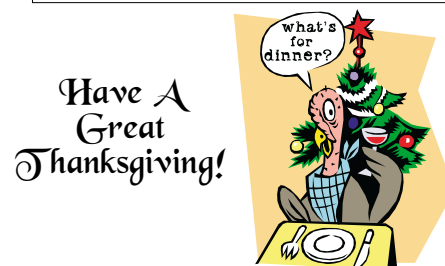
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## INDUSTRY WILL SPEND \$100 BILLION ON DEEPWATER E&D IN 5 YEARS

The oil and gas industry will spend \$100 billion on deepwater exploration and production worldwide in the next 5 years, forecast Business Communications Co. Inc. (BCC), Norwalk, Conn.

## API ADDRESSES ENERGY BILL ISSUES

API has discussed energy bill issues in numerous meetings with key Congressional leaders and energy conference committee members, including Senate Majority Leader Tom Daschle (D-SD), Senate Minority Leader Trent Lott (R-MS), House Majority Whip Tom DeLay (R-TX) and Representative Billy Tauzin (R-LA), the conference committee chairman. API is making a last-ditch effort to have the industry's objectives included in the final energy conference report. Given the vagaries of the Congressional schedule, it is questionable whether a bill can be passed before Congress adjourns for the election.


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## SHELL PROVES DEIMOS DEEPWATER DISCOVERY IN MARS BASIN

Shell Exploration & Production Co. (Sepco) has confirmed the presence of hydrocarbons in its Deimos prospect on Mississippi Canyon Block 806, off Louisiana-Mississippi.



**Dan Borden**  
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# DELTA CHAPTER

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# Joint Energy Industry Association Luncheon

**Thursday,  
November 14,  
2002**

**Red Cavaney**  
President & CEO of American  
Petroleum Institute

**Fairmont Hotel  
11:00 a.m.**

## Keeping Oil & Gas Healthy For The Country

Are we on an up-swing, a down-swing, or in the middle of a cycle in the Industry roller coaster we have adopted as our economic "home?" Does the public not really understand us, or are we as bad as some say? These questions and more will be addressed by Red Cavaney at the Joint Societies Meeting.

Of particular interest will be Red's emphasis on how to address public perceptions and expectations, including:

- What we know from opinion research about public perceptions about the industry and how we can best respond?
- API's efforts to improve our reputation and relate to the concerns of the American public.
- The importance of effectively presenting facts about the industry's role in supporting the American quality of life.
- Examples of communications tools already developed to stay ahead of the curve.
- API's enthusiasm to work with other industry associations in building appreciation of the industry and its role in supporting the health and economic well-being of the entire country.
- The role of associations in distributing and using developed communications tools to reach the public, and API's interest in feedback on their effectiveness and on what additional tools would be helpful.



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