

Report on

**ENERGY TRENDS IN THE 90's
IMPLICATIONS FOR COMPANY STRATEGIES**

"Energy Trends in the 90's" was held at The Adolphus Hotel in Dallas, Texas on May 6-8, 1992. The conference was sponsored by The Institute for the Study of Earth and Man (ISEM) at Southern Methodist University, Petrie Parkman & Co., Inc. and Hoenig & Co., Inc.

The program began on Thursday morning with welcoming comments by Dr. James Brooks, President of ISEM at SMU.

The first speaker in the session on International Issues and Outlook was Jorge Zemella, President of the Strategic Association Unit, Petroleos de Venezuela, S.A. Mr. Zemella said that Venezuela was changing to a market oriented economy and has privatized the phone company, airlines and some banks. Venezuela is interested in developing energy resources to boost the economy and recognizes that they cannot do this alone. Therefore the country is seeking foreign investors and has liberalized the investment code with no tax on dividends, new tax rates that allow for inflation, and a single floating exchange rate. Venezuela is especially interested in outside investment to help develop their heavy oil reserves. There are 270 billion barrels of heavy oil reserves which will cost from \$9 to \$14 per barrel to recover. They are also seeking investments in high conversion refineries to process the heavy oil.

Mr. Zemella's speech was followed by a panel discussion by Victor Garcia Laredo, Board Member, SOCMA and Thomas A. Petrie, Chairman, Petrie Parkman & Co. Mr. Laredo indicated that Latin America is a safe place for investments. In 1991 50% of the worldwide privatization activity was in Latin America. In Argentina privatization is taking place in communications, energy, and manufacturing. The lack of funding was the main force behind this privatization.

Tom Petrie said that Argentina is equivalent to Midland, Texas in 1947 in energy development. They have a three phase program which includes development of the southern basins, development of gas basins with movement of gas into Brazil, and floating of the state oil company shares. Mr. Petrie felt there are great opportunities in Latin America especially in Columbia.

Robert Ebel, Vice President, International Affairs, Enserch and Peter Kennel, Vice President, Negotiations, Amoco Production Company presented an update on the oil and gas situation in the former Soviet Union. Tom Meurer, Senior Vice President, Hunt Oil Company, introduced the speakers by talking about Hunt's role in North Yemen. He said the Russian's were good partners and have good technical people, but have difficulty in making decisions.

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Mr. Ebel discussed conditions in the Confederation of Independent States (CIS). The CIS has 22,000 wells which are shut-in because of lack of equipment. Their wells have a high water to oil ratio of 4:1 and only 14% meet "western standards." There is a major struggle between Moscow and the states for control of oil. Russia is raising oil prices to bring domestic prices in-line with world prices to encourage oil conservation and stimulate development. In 1992 CIS production is expected to average 9.0 to 9.1 million barrels per day (MMBPD). It could fall to 8.1 MMPPD by year-end of which 7.0 MMBPD would be from Russia.

Mr. Kennels said that Amoco was interested in the development of discovered fields. There are 2,000 discovered undeveloped fields. The CIS has 80 billion barrels of conventional oil and 1,450 Tcf of conventional gas. The presence of these discovered fields lowers the exploration risks. However, the political environment has considerable risks centered around who controls the oil. The situation is further complicated by claims by native groups, competition among ministries, and existing and potential regulations. In addition there are considerable taxes which, if imposed, would represent barriers to foreign investment. The speaker also expressed concern about transporting the oil based on the problems with the pipeline system.

The keynote speaker was His Excellency Dr. Subroto, the Secretary General of OPEC, who talked on "Challenges and Opportunities in the Oil Industry." Dr. Subroto was introduced by Robert Krueger, Commissioner, Railroad Commission of Texas (TRC). Dr. Subroto indicated four challenges that the industry faces: 1. quantity of supply to meet growing demand requirements, 2. quality of supply to meet environmental concerns, 3. the oil industry and OPEC's poor public image, and 4. the industry's broader responsibility to support the development of less developed nations. He outlined the opportunities the industry has in meeting these challenges: 1. a new global order and potential investment in the CIS and OPEC, 2. greater industrial unity and consumer-producer dialogue, and 3. the need for the oil industry to take a proactive stance in the environmental debate.

The afternoon program began with a panel discussion on balancing world energy markets with Dr. Subroto, Mr. Krueger, and Mr. Zemella. Mr. Zemella felt that oil will have a predominant role over the next 40-70 years. The panelists suggested that oil prices will either be stable or increase. In order to meet growing world demand, investments of \$120 billion would be required to increase OPEC capacity and \$170 billion for non-OPEC capacity. Possible sources of investment capital are reinvestment, equity capital, and debt capital. Raising money from equity and debt capital has been difficult. The conclusion was that prices increases are necessary to make investment in new production more attractive. Chairman Krueger indicated that the TRC's main role was to protect the correlative rights of reserve owners and not to control petroleum production in the state. The TRC does not want to challenge the federal government on this issue.

The session on company strategies and perspectives began with a presentation by David Biegler, President and Chief Operating Officer, Enserch Corporation. Mr. Biegler outlined Enserch's current position and strategy. Eighty percent of the company's reserves are in natural gas and they have 1.2 million customers. They see new opportunities for gas demand in multi-family housing and in natural gas fueled vehicles. They have adjusted their program for current cash flow. They are involved in plays in the Gulf of Mexico and Cane Springs, Utah.

On Friday morning the program on company strategies and perspectives continued with presentations by Union Pacific Resources, Union Texas Petroleum Holdings Inc., and Triton Energy Corporation.

John Tatum, Executive Vice President, Triton Energy Corporation discussed Triton Energy's program in Columbia. He talked about the problems in developing the Cusiana Field. Their philosophy is to keep the largest percent of participation possible at the lowest cost possible. Their strategy was to obtain large acreage positions in unexplored areas and to use farm-outs to share the risk and finance exploratory drilling programs. Mr. Tatum said that the key to their success was persistence and tenacity.

Jack Messman, President & CEO, Union Pacific Resources, talked about the company's commitment to domestic exploration which was made possible by leases owned as a result of government railroad land grants. Their strategy is to focus on exploitation, exploration, production, and marketing. Their specific actions in support of this strategy are to expand their Austin Chalk opportunities where they have drilled successful horizontal wells, exploit opportunities on their land grant acreage, look for long-lived gas reserves, expand technology into additional basins, and add value through marketing.

Art Peabody, Senior Vice President, Exploration & Production, Union Texas Petroleum Holdings Inc. explained how the company had divested their U.S. properties to search internationally in the U.K. North Sea and Indonesia. They have new exploration ventures in Spain, Indonesia, Kai-Tanimbar-Robi, Argentina, and Papua New Guinea. In Spain they are seeking coalbed methane. In the U.S. they are looking for oil onshore in the Colville Delta on the North Slope and offshore on the Kuvlum Prospect. They feel that their strengths are their strong financial performance, increasing production profile, frontier exploration exposure, and 25 years of international experience.

Tom Petrie closed the session by saying that investors should look at management teams which are focusing on the company's true strengths, seeking projects with relevant upside volume potential, and maximizing the use of their programs and assets.

The program closed with comments by William S. Smith, Sr., Vice President, Hoenig & Co., Inc.

*The Institute for the Study of Earth and Man
at Southern Methodist University*

and

Petrie Parkman & Co.

and

Hoenig & Co., Inc.

are pleased to invite you to attend a conference entitled

*Energy Trends in the 90's —
Implications for Company Strategies*

Wednesday May 6 at 6:00 PM through Friday May 8, 1992 at Noon

*The Adolphus Hotel
Dallas, Texas*

RSVP

Among the speakers are:

Dr. Soedirdjo Subroto, Secretary General of OPEC since 1988, and former Indonesian Minister of Energy and Mines (1978-1988).

Mr. Frank Alcock, Executive Vice President, Petroleos de Venezuela, S.A., and former President of the Venezuelan Petroleum Chamber.

Mr. Victor Garcia Laredo, Director of International Corporate Affairs, SOCMA Americana, S.A., a consortium of Argentine firms with international business partnerships and joint venture agreements in Automobile Manufacturing, Oil and Gas, Telecommunications and other key industries.

Mr. Thomas Hassen, Managing Director, Morgan Stanley, which has acted as financial advisor to the Argentine government in its current petroleum industry privatization program.

Mr. Robert E. Ebel, Vice President, International Affairs, ENSERCH Corporation, who has specialized in international energy matters and has served for more than ten years with the Central Intelligence Agency and nearly eight years with the Department of the Interior.

Dr. Dennis J. O'Brien, Chief Economist, Caltex Petroleum Corporation. Former Deputy Assistant Secretary for International Energy Security for the US Department of Energy.

Mr. Robert Krueger, Commissioner, Railroad Commission of Texas, and former US Ambassador-at-large and coordinator for Mexican Affairs. Member of US House of Representatives from Texas, 1975-1979.

Mr. David W. Biegler, President and Chief Operating Officer, ENSERCH Corporation, and former President and Chief Operating Officer, Lone Star Gas.

Mr. Jack L. Messman, President and Chief Operating Officer, Union Pacific Resources, and former Chairman and Chief Executive Officer, USPCI, Union Pacific's environmental service company. Former President and CEO and currently on the Board of Novell Inc.

Mr. John P. Tatum, Executive Vice President, Triton Energy Corporation, and former Senior Vice President, Operations, in charge of new exploration opportunities for Triton throughout the world (1982-1991).

Mr. Art Peabody, Senior Vice President, Exploration and Production, Union Texas Petroleum, with responsibility for petrochemicals, engineering and construction, acquisitions, and strategic projects and planning.

Mr. Thomas A. Petrie, CFA, Chairman, Petrie Parkman & Co., and former Managing Director of The First Boston Corporation. Ranked for eight consecutive years as the number one oil analyst in the exploration/independent sector by Institutional Investor Magazine's annual survey of money managers.

Sponsors

The Institute for the Study of Earth and Man is a non-profit institute which supports research in the fields of Anthropology, Geological Sciences and related fields of scholarship within Southern Methodist University.

Petrie Parkman & Co. specializes in providing investment banking services to, and institutional investment research on, the oil and gas industry. The firm has offices in Denver, Houston, and London.

Hoenig & Co., Inc. provides global stock brokerage, marketing and distribution of independent third-party research and other related services to institutional clients. The firm has offices in New York, Boston, Denver, London, Tokyo, and Hong Kong.

We wish to acknowledge the generous support of Union Texas Petroleum Holdings Inc., Union Pacific Resources Company, Triton Energy Corporation, ENSERCH Corporation and Atlantic Richfield Company, who have underwritten the costs of the conference.

*Energy Trends in the 90's —
Implications for Company Strategies*

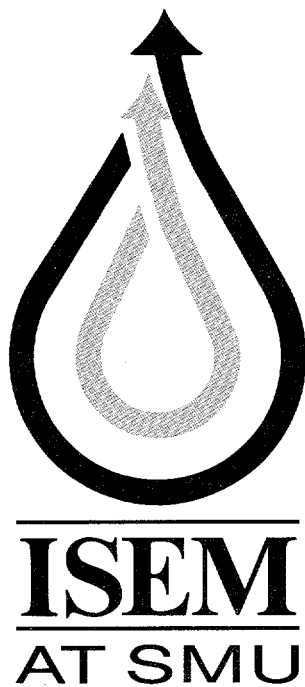
The sponsors are pleased to present an effective forum for senior energy executives from around the world to discuss key energy trends and developments. Importantly, speakers and discussants will be in attendance throughout the conference and related functions.

There is no cost for the conference, but attendees will need to make their own hotel and travel arrangements. The Adolphus Hotel is holding rooms until April 14 for conference participants. (For reservations contact Ann Patrick at the Adolphus at 214-742-8200.)

Attendance is by invitation only. Since space is limited, please respond to Hoenig & Co. at 800-688-7234/303-779-1313, or to Petrie Parkman & Co. at 303-292-3877, as soon as possible, if you wish to attend.

*Energy Trends in the 90's —
Implications for Company Strategies*

an invitational conference



presented by

*The Institute for the Study of Earth and Man
at Southern Methodist University*

Petrie Parkman & Co., Inc.

Hoenig & Co., Inc.

The Adolphus Hotel • Dallas, Texas • May 6—8, 1992

Energy Trends In The 90's — Implications For Company Strategies

Conference Chairmen:

James E. Brooks, ISEM

Thomas A. Petrie, Petrie Parkman & Co.

William S. Smith, Hoenig & Co., Inc.

Wednesday, May 6

The Petroleum Club
Texas Commerce Bank Tower
2200 Ross Avenue, 40th Floor
Dallas, Texas

7:00 p.m.

Speakers and Sponsors Dinner — The Dallas Petroleum Club

After Dinner Speaker — Dr. Luis Martin, Kahn Professor of History at SMU, introduced by Dr. James Brooks, ISEM at SMU. Opening statements by Thomas A. Petrie, Petrie Parkman & Co., and William S. Smith, Hoenig & Co., Inc.

Thursday, May 7

International Issues and Outlook

The Adolphus Hotel
1321 Commerce Street
Dallas, Texas

7:15 a.m.

Continental Breakfast available in the John Neely Bryant Room

8:00 a.m.

Introductions — Dr. James Brooks, President, ISEM at SMU

8:05 a.m.

Jorge Zemella, President of the Strategic Association Unit, Petroleos de Venezuela, S.A.

8:35 a.m.

Q & A Moderator — Emma Brossard, Brossard Petroleum Consultants

8:50 a.m.

Panel Discussion — Emerging Trends in Latin America

Discussants: Victor Garcia Laredo, Board Member, SOCMA,
Thomas Hassen, Managing Director, Morgan Stanley & Co., Inc.,
Thomas A. Petrie, Chairman, Petrie Parkman & Co.

9:40 a.m.

Q & A Moderator — Richard Rubottom, former U.S. Ambassador to Argentina

10:00 a.m.

Break

10:15 a.m.

Panel Discussion — Update on the former Soviet Union

Discussants: Robert Ebel, V.P., International Affairs, ENSERCH
Peter Kennel, V.P., Negotiations, Amoco Production Company

11:05 a.m.

Q & A Moderator — Tom Meurer, Sr. Vice President, Hunt Oil Company

11:25 a.m.

Break

12:00 Noon

Lunch — The French Room — Adolphus Hotel

Keynote Speaker: His Excellency Dr. Subroto, Secretary General of OPEC —
"Challenges and Opportunities in the Oil Industry"

Introductory remarks by Robert Krueger, Commissioner, Railroad Commission of Texas

1:30 p.m.

Panel Discussion — "Balancing World Energy Markets"

Discussants: H.E. Dr. Subroto, OPEC, Jorge Zemella, PDVSA, and
Robert Krueger, Texas Railroad Commission.

2:10 p.m.

Q & A Moderator — Dennis O'Brien, Chief Economist, Caltex Petroleum Corp.

Company Strategies & Perspectives

2:30 p.m.

ENSERCH Corporation — David Biegler, President and Chief Operating Officer

3:00 p.m.

Q & A Moderator — Tom Fomby, Chairman, Department of Economics, SMU

3:15 p.m.

Adjourn

3:30 p.m.

Board buses for Hunt Oil Company's Circle-K Ranch

5:00 p.m.

Arrival for Barbecue Dinner at Hunt Oil Company's Circle-K Ranch

Friday, May 8, 1992

Company Strategies & Perspectives (Continued)

7:15 a.m.

Continental Breakfast available in the John Neely Bryant Room

8:00 a.m.

Union Pacific Resources — Jack Messman, President & CEO

8:30 a.m.

Q & A Moderator — Carter Montgomery, Chairman of the Board of Trustees, ISEM at SMU, and President, Axis Gas Corporation

8:45 a.m.

Union Texas Petroleum Holdings Inc. — Art Peabody, Senior Vice President,
Exploration & Production

9:15 a.m.

Q & A Moderator — Jim Gibbs, ISEM Trustee, President of Five States Energy

9:30 a.m.

Break

9:45 a.m.

Triton Energy Corporation — John Tatum, Executive Vice President

10:15 a.m.

Q & A Moderator — Susan Morrice, ISEM Trustee, President of BNR Exploration

10:30 a.m.

Strategies Session — Thomas A. Petrie, Petrie Parkman & Co.

11:00 a.m.

Q & A Moderator — William S. Smith, Sr. V.P., Hoenig & Co., Inc.

11:15 a.m.

Closing Remarks — William S. Smith, Sr. V.P., Hoenig & Co., Inc.

11:30 a.m.

Adjourn

The Institute for the Study of Earth and Man wishes to acknowledge the generous support of their Corporate Sponsors and, in particular, of the following who have underwritten the cost of this conference and the related events. These companies have contributed their executive time and talent to help bring this program to the business and investment communities.

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Triton Energy Corporation
Union Pacific Resources Company
Union Texas Petroleum Holdings Inc.*

Program Committee: Thomas A. Petrie (Chairman), Netta Blanchard, Emma Brossard, Susan Morrice, Chris Sheehan, William S. Smith.

Conference Coordinated by ISEM Conference Staff - Cynthia Chiles, Susan Liepins.