

The Best of Times Means More Energy Jobs

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Booming business for oil-field-services company Schlumberger is good news for Houston.

Flush with profits amid the continued growth in oil and gas exploration, the France-based company could add up to 500 local jobs annually for the next two to three years, Andrew Gould, Schlumberger's chief executive and chairman, said in an interview.

The world's largest oil-services provider is also beefing up spending to develop new product lines here and expects to farm out more work to Houston-area companies to keep up with its aggressive growth plans into the next decade, he said.

The expansion comes as Schlumberger, with about 5,000 employees locally, is seeing increased exploration as energy companies race to keep up with growing demand for oil and natural gas. This trend has boosted sales for the company's offerings, such as seismic testing, drilling and measurement tools and many other technology-driven products and services.

"If you spend, say, 15, 18 years without reinvesting in the production base of a commodity like oil, then once you get to a period when you have to invest, it's going to be a fairly huge effort that has to be undertaken," said Gould, who was at Schlumberger's Sugar Land campus this week to meet with investors.

That meeting came at a time when the markets appear jittery about oil-field-services stocks. A weaker outlook for natural gas drilling in North America could tighten the reins on exploration and curb the growth of services companies.

"We believe that the oil-service stocks' recent performance will be reversed only when investors regain confidence in the outlook for natural gas drilling in the U.S. and Canada," Bear Stearns analyst Robin Shoemaker said in a research note Monday.

But Gould said those fears may be overstated. Although a pullback is likely, he predicts it will last no more than six to nine months.

On Tuesday, Gould told investors that Schlumberger will continue to see strong growth through the end of the decade and beyond, but cautioned it will not be at the same "breakneck pace" it has been recently. This year, company sales are up more than 30 percent, but will slow to the "high teens" going forward, he said.

Bill Hebert, an industry analyst with Simmons & Co., left Tuesday's investor conference with an upbeat assessment of the company's prospects. In a report the following morning, he said Schlumberger is in "full stride" and "performing exceedingly well."

Despite predictions of slightly slower growth, Schlumberger still plans to nearly double its research and development spending this year -- to 18 percent of revenue -- and Houston will get its fair share of the increase, Gould said.

The investment, along with an uptick in manufacturing orders, will spur the need to add more employees in the Houston area, where the 66,000-strong company has its largest concentration of workers in the world.

"We don't really have a target," Gould said. " But I'm not going to be surprised if it grows in the Houston area something like 10 percent a year, let's say for the next two or three years."

Meantime, Schlumberger is in the late stages of moving its New York corporate offices to Houston.

The French company, with its world headquarters in Paris, originally set up its North American arm in Houston in the 1930s but moved its top executives to New York during the 1970s after holding an initial public offering. Since then, it has been consolidating more operations in Houston.

Schlumberger expects to have the 50-person New York office of executives and support staff relocated to two floors in its Galleria-area office building by November.

The move is a sign of the growing importance of Houston to the company's far-flung operations and an indication the company sees more opportunity in the region. Chevron's discovery this month of a vast new oil reserve in the deep waters of the Gulf of Mexico could be only a taste of what's out there, Gould said.

"We think that generally, as technology advances, the Gulf of Mexico will continue to have a very bright future. We think it's a long, long way from being over."

In Houston, Gould also sees opportunities to expand services by acquiring smaller software companies or specialized mechanical suppliers.

As more state-owned oil companies look beyond their borders for sources of oil, Schlumberger could also see more contracts filter in from this region. Mexico, in particular, could generate more business now that its presidential elections have concluded, Gould said.

In the second quarter, Schlumberger posted a profit of \$857 million, up 78 percent from a year earlier. And it said profit growth will continue this year and through the end of the decade.

After so many ups and downs in the oil business, Gould was happy to deliver good news to investors this week and seemed glad to be back in Texas. But when asked what he liked best about being here, he paused, then for the first time steered away from discussing the business.

"It's a lot easier to play golf in Houston," he said, "than it is in Paris."