

Opportunities for Energy Services in Offshore China

Wil Faubel
Vice President, Marketing
Baker Hughes Incorporated

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Services Companies Offshore China

- **Why Do Business in China?**
- **Market Drivers**
- **Technology Requirements**
- **Delivering Value in China**
- **Commitment to Local Content**
- **Prospects for Growth**



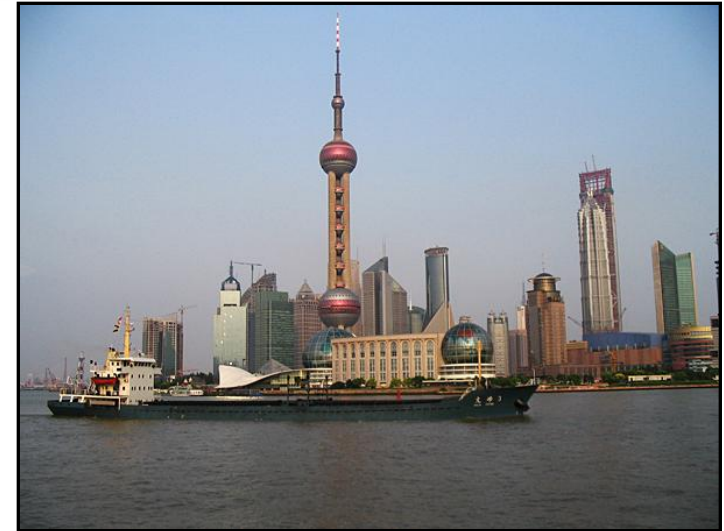
China's Current Worldwide Rankings

■ A Leader Today

- 1st – Population, Coal Consumption & Production
- 2nd – Auto Market, **Oil Consumption** & Refining Capacity
- 3rd – Manufacturer of Autos, Proven Coal Reserves
- 6th – Oil Production
- 1st – in AsiaPac for all of the above

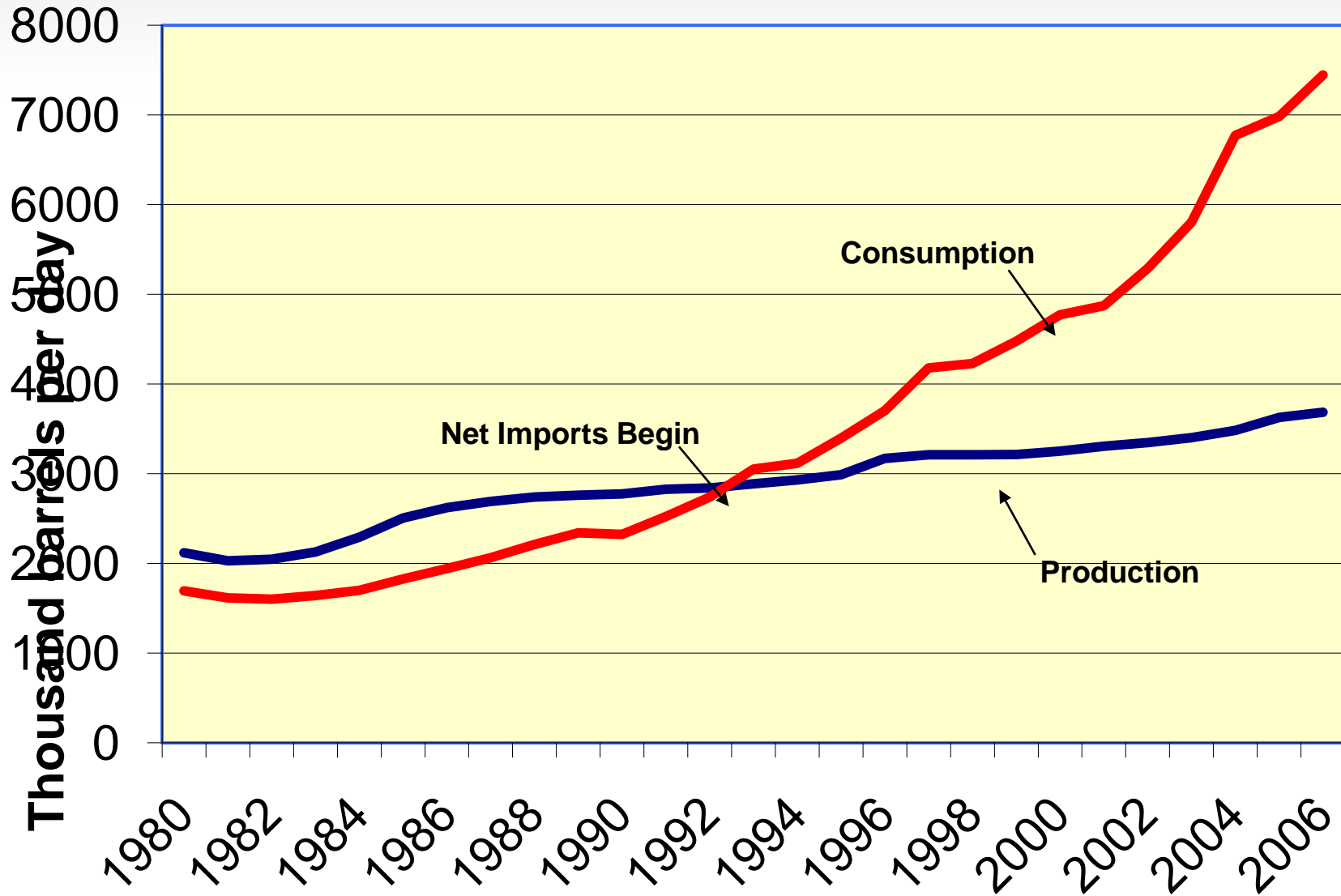
■ A Promising Future for Growth

- 12th – Proven Oil Reserves
- 15th – Natural Gas Consumption, Production & Proven Reserves
- 77th – Energy Consumption per Capita (15% of US)
- 108th - Vehicles per Capita (0.1)
- Future Potential to Convert from Coal to Cleaner Fuels



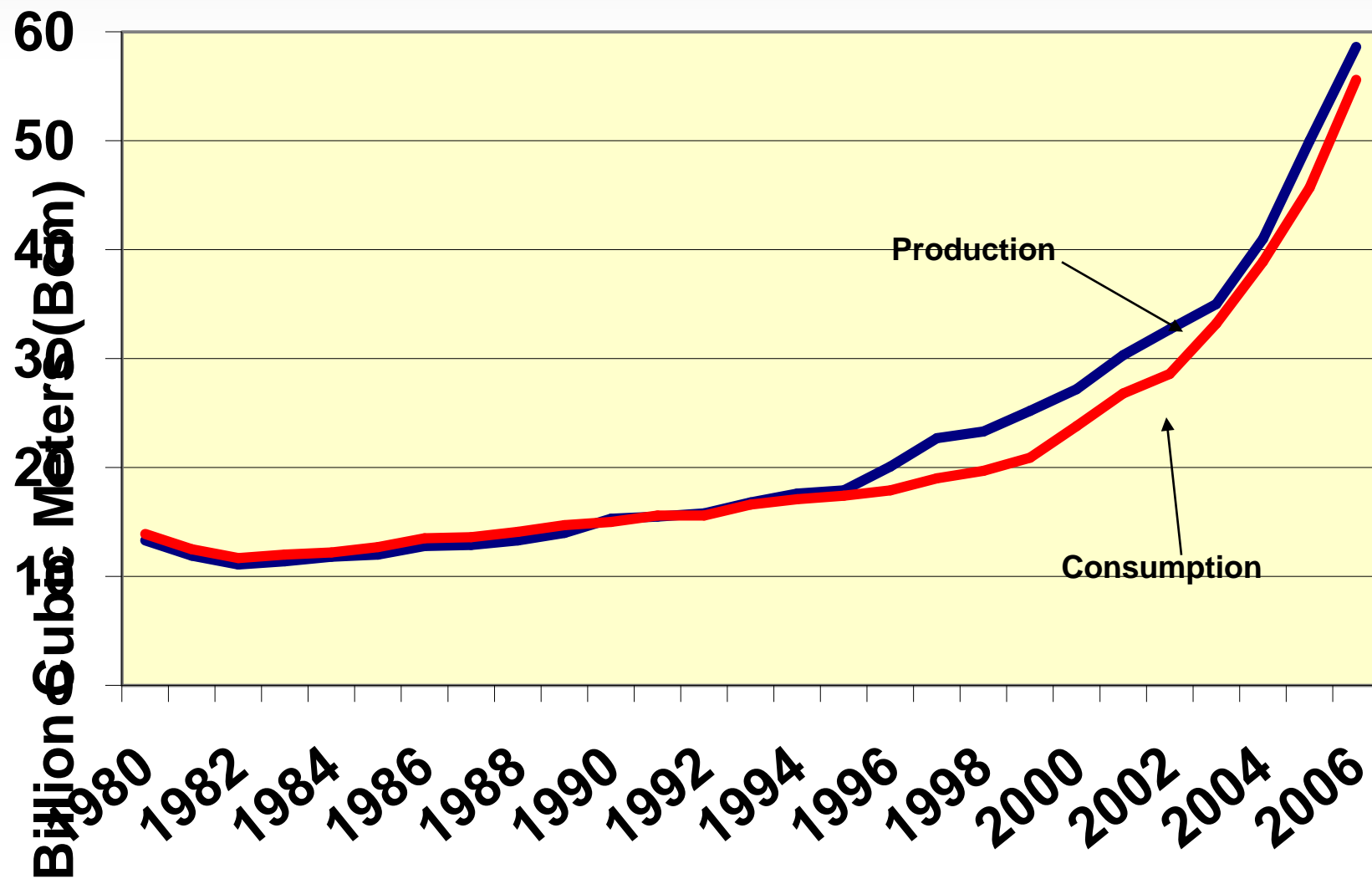
Source: BP Statistical Review

China Oil Production and Consumption



Source: BP Statistical Review

China Natural Gas Production and Consumption

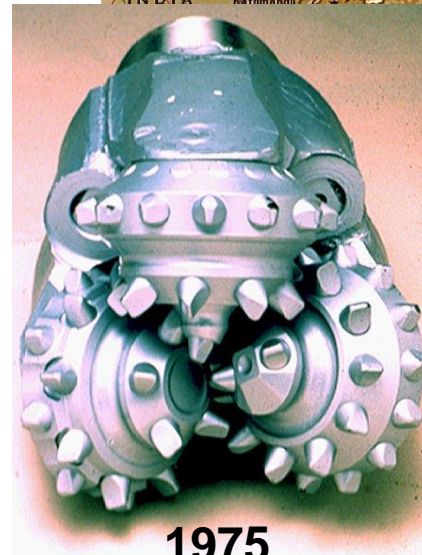


Source: BP Statistical Review

Long Term Relationship with China



- Began export sales of drill bits in 1975
- Hughes Tool Co. and Baker Oil Tools established Beijing offices in 1981



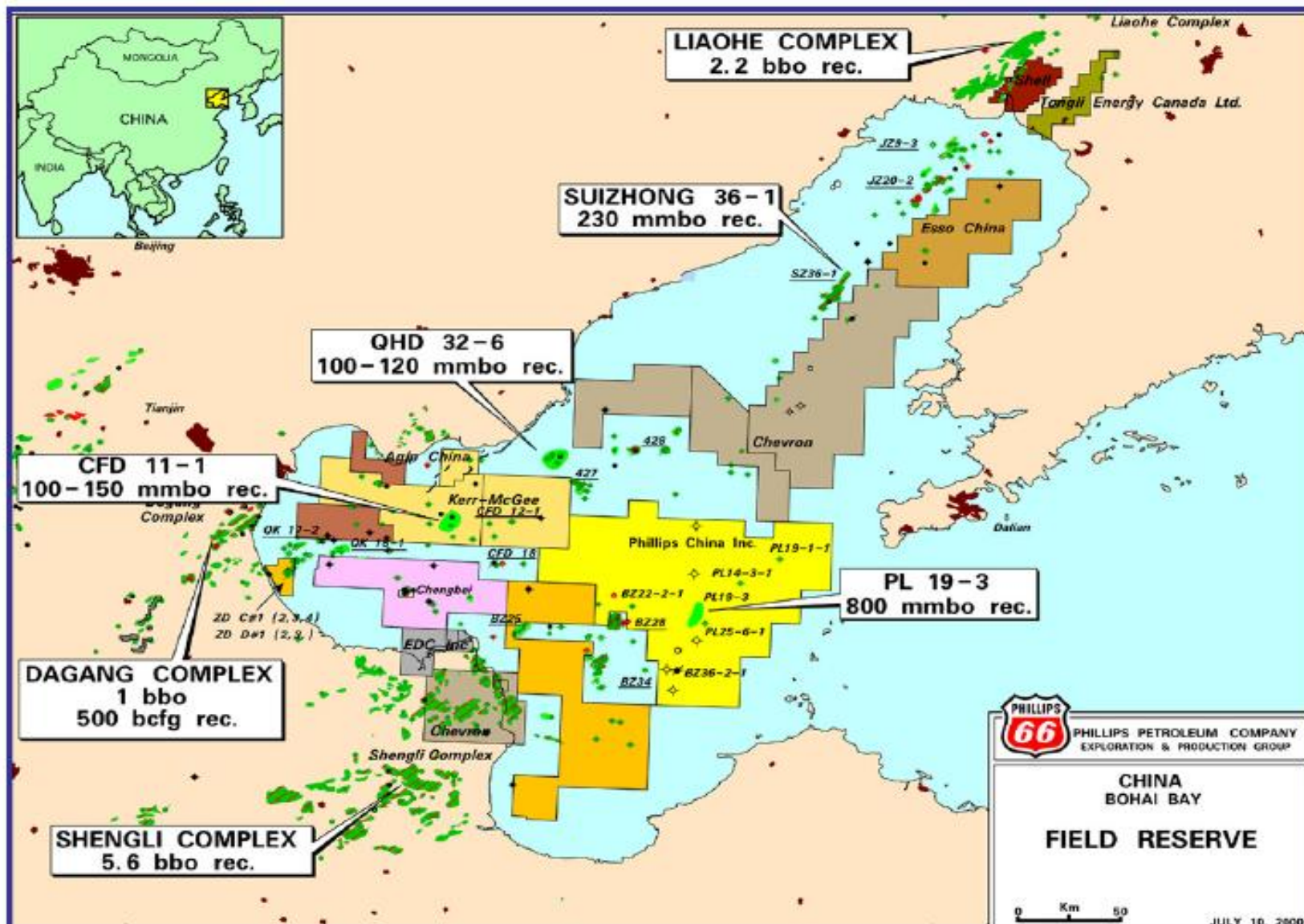
1975

1981

Vice Premier Deng Xiaping Pays a Visit



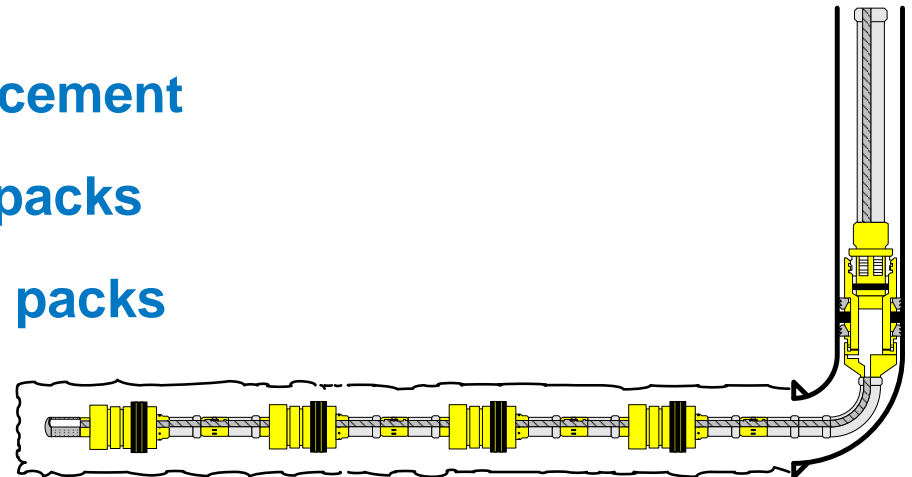
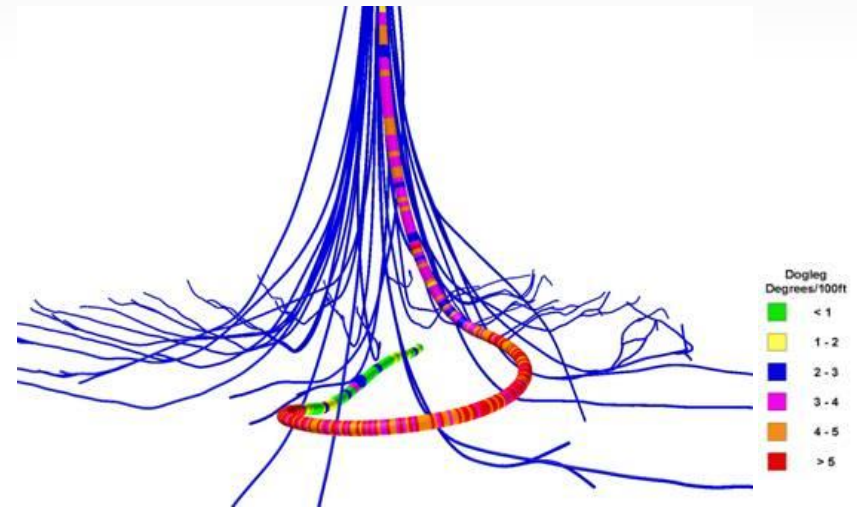
Bohai Bay – Oil Field Distribution



Source: Phillips Petroleum, 2000

Baker Hughes Experience in Bohai Bay

- **+780 well installations to date**
 - CFD, Suizhong, Junzhou, Bozhong, Penglai, Zhaodong developments
- **Anadarko (Kerr McGee) CFD**
 - Parties: CNOOC, Kerr McGee, COSL & BHI
 - 100+ wells, 84 horizontal
 - Directional drilling, completions, ESPs
 - First intelligent well in China
 - 50,000 BOPD - higher productivity than neighboring fields
- **Reservoir navigation for well placement**
- **Record length horizontal gravel packs**
- **Multi-zone gravel packs and frac packs**
- **Extended run-life ESPs**



Baker Hughes Experience in South China Sea

Extended Reach Wells

- CNOOC Panyu Operating Company and Devon Energy

New PDC Bits

- ConocoPhillips, CACT and Devon

Wireline Logging

- ROC Oil, Husky, Devon, and Newfield

Drilling Fluids / Liquid Mud Plant

- CACT / Chiwan

Completions on 50+ Wells

- Conoco Phillips Xijiang

Multilateral Completions

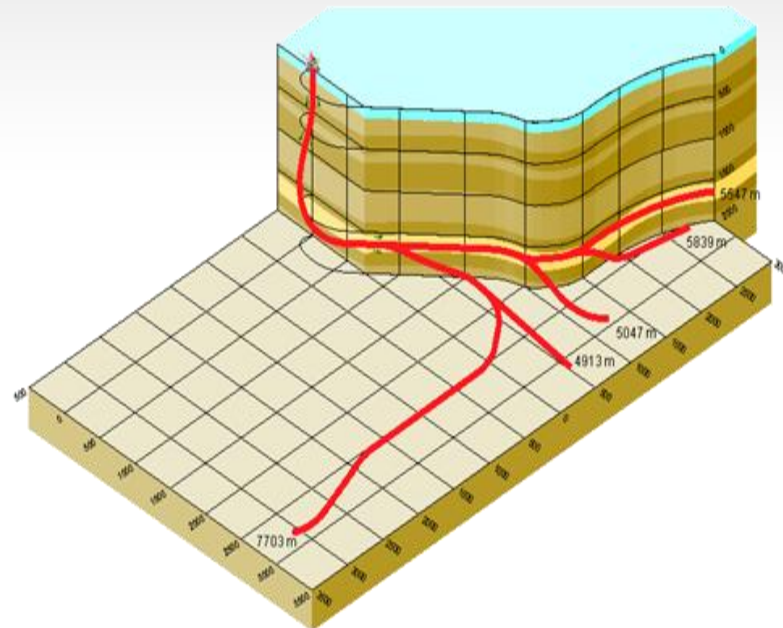
- CNOOC Zhanjiang

ESP Systems

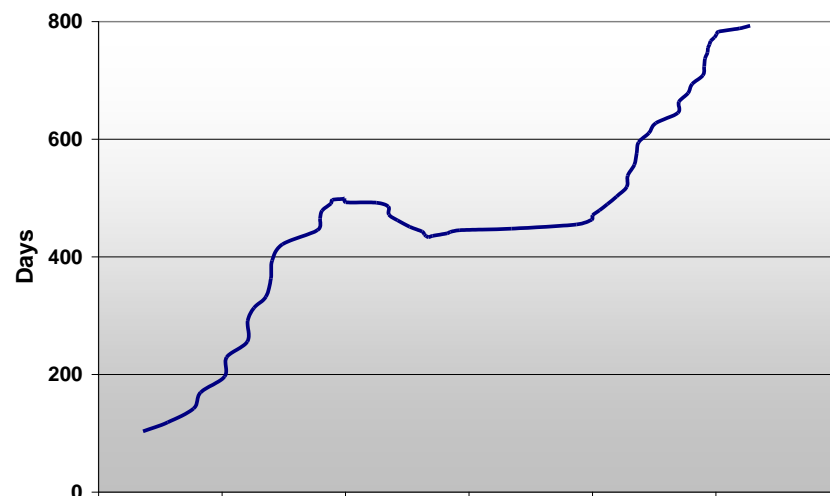
- High Volume / High Reliability for Extended Run Life

Oilfield Chemicals

Husky Deepwater Discovery



ESP Average Run Life



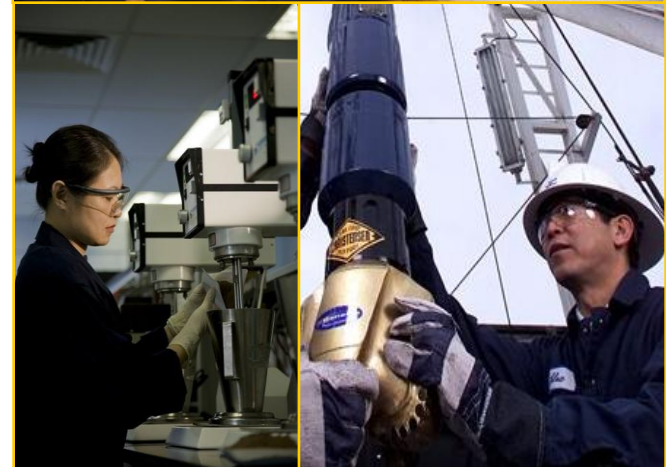
Baker Hughes in China

- 400 employees
 - Beijing ●
 - Tanggu ▲
 - Shekou ●▲
 - Shanghai ●
 - Chengdu ●
 - Korla ●
- Office ▲ Base



Human Resource Development

- **University Relationships**
 - China University of Petroleum
 - Dong Ying and Beijing
 - Southwestern Petroleum University
 - Yangtze University
- **400 Employees, 80% Chinese nationals**
- **Recently Hired 30+ graduates**
- **50 Summer Internships in 2007**
- **Participate in Educational Forums**
- **Ongoing Recruitment and Training**



Legal Compliance

- Compliance is a **Global Requirement**
- Complex legal framework and cultural practices
- Scrutiny from government regulatory agencies
- Corporate policies and culture for complete compliance



Prospects for Growth

■ Brownfields

- Onshore and Offshore
- Production Optimization

■ New Frontier

- Deepwater
- Natural Gas

■ Local Content & Infrastructure

■ Be Local – Perform to Global Standards





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