

**Dean's Luncheon  
Center for American & International Law  
Hilton Houston  
February 19, 2010**

DAVID (?): ... institute and I'd like to welcome you to the 2010 Deans of Oil and Gas lecture. We are honored today to have as our speaker, Ted Frois, and we hope to honor him by giving him our attention as he gives us his view on 40 years in oil patch. It is my pleasure now to have Ted be introduced by Mark Duenser. Mark is the general counsel for ExxonMobil's upstream companies and is the successor of the position that Ted Frois had. I could go on for a long time with Mark's CV. I will just tell you that he graduated with very high honors both from the University of Illinois Champagne in General Engineering undergraduate and then again with very high honors from the law school, where, of course, he was the Order of the Coif. So if you'll please join me in welcoming Mark Duenser, who will in turn introduce Ted Frois. (Applause)

MARK DUENSER: Well thank you, David. It's both a pleasure and an honor today to be able to introduce Ted Frois. I brought a couple of notes here because Ted has had a very long and distinguished career in the oil business and with ExxonMobil. I'd like to do really two things; one, for those of you who really don't know Ted that well, I just want to give you a sense of this man's career and his accomplishments and it will be superficial, but I did want to touch on a couple of points, and then I just want to kind of give you an overall sense of the man himself.

Ted graduated from Loyola Law School in New Orleans in about 1970 and he had a very brief career as a plaintiff's attorney. It lasted about one year before he joined what was then called Humble Oil & Refining Company, which was precursor to Exxon Mobil Corporation. Ted had a very varied career with the company. I believe he moved nine times, including one assignment in Venezuela. Ted holds the dubious distinction of being kicked out of Venezuela twice (laughter) because he was there in 1974 when we got the first boot and was back there a couple of years ago when we got the second boot.

That being said, Ted had a very distinguished academic career. I attribute that all to his wife, Louana, who he married in college, at which point in time he applied himself. And after joining Humble Oil & Refining, he obviously went on to hold a variety of positions, but more recently his

last two positions with the company were first in 1995, he was made General Counsel to what was then called Exxon Company, USA, which was Exxon's domestic operating affiliate. And then upon the ExxonMobil merger in 2000, he was named General Counsel of the ExxonMobil upstream companies, which had responsibility for providing all legal support and advice to Exxon Mobil Corporation's worldwide oil and gas operations.

In addition to his many professional accomplishments, Ted's been very active in civil justice reform and pro bono activities. ExxonMobil has been the recipient of numerous pro bono awards, and those are largely due to Ted's leadership. And, of course, he and his wife have been very active in several major charities.

To give you a sense of some of the things that Ted's been involved with during his career, early on in his career he was involved with the Prudo Bay unit formation and operating agreements that involved that giant field. Later on, he spearheaded a very successful arbitration in the Netherlands involving the Groningen Field, which is a super giant gas field in the Netherlands and represent his company very well there. Several years after that, he was a central figure in our defense of the Alabama Royalty Suit, including the overturning of two multi-billion dollar punitive damage verdicts, and I already mentioned he was around for the second time on Venezuela, and, of course, he's been the architect of our defense on that case.

I just throw those out as sort of examples of the matters that Ted has been involved with because there's really too many, too numerous to mention. But talking about the person here, I would say that Ted really stands as a role model for what every lawyer should aspire to be. He not only has the love of the law, a very deep knowledge of the law, and a keen interest in the law, but he combines that with a very good understanding of people and the impact that our actions and the law has on people. So, and you talk about someone being a "people person," Ted clearly is, as he combines both the attributes of that and being a superb legal scholar, which from my point of view has made him a great person to work with and under for these many years. So without further ado, I'm going to turn this over to Ted since I've been told that every minute I take, we take away from his talk. So with that, please give a good welcome to Ted Frois. (Applause)

TED FROIS: Thanks, Mark, for that very kind and generous introduction, and thanks to the Institute, the Chair, the Advisory Committee, the Executive Committee for this wonderful award,

and for all of you in the audience that have come to listen to my 40 years in the oil patch. You know, it just goes to show you, if you hang around for 40 years, you may get an award like this or you may even win the Super Bowl (laughter). So, coming from the “Who Dat” nation, I understand that.

The happiest person in my family about this award, frankly, is my wife, Louana. I’ve been spending a month and a half with her at home. (Laughter) I’ve critiqued her decision-making processes and told her they were not like ExxonMobil’s. (Laughter) There was no business plan, there were no pros and cons with U-graphs, and more importantly, there were no expected rates of return on the decision. But seriously, I’m honored to be here.

When I was asked to accept this award and give you some remarks, I reflected and said, “Well, I moved so many times and had so many different jobs. I stayed long enough, hopefully, not to mess things up, or maybe I didn’t leave too many fingerprints before I moved on.” I touched many parts of our business and I went through different experiences in the oil industry during those 40 years. There are a lot of young lawyers in the audience, so I thought I’d go back and give you a sense of what it was like over these four decades to practice in our industry. I’ve divided the talk into decades starting with the 70s and I’ve tried to list some of the major developments that were going on both domestically and internationally. I didn’t include them all, but I tried to relate them to legal matters that I was working on at the time. These developments are in the oil and gas field and in the environmental field, and as we go through the charts, I listed the environmental in green, energy in blue, the domestic development’s are on the right-hand side of the chart and the international developments are on the left-hand side of the charts. So, David, why don’t we start off with the 70s?

The 70s were really an environmental boom. Just look at all the laws that I’ve listed. I realized I forgot the Coastal Zone Management Act, so that certainly should be included as a very important one. But it was really a boom that hit the oil industry all at once, and some say it was a stimulus package for lawyers. It was the first stimulus package for Exxon lawyers in particular. The Exxon USA’s law staff when I started off in 1970 was right around 60 lawyers, and by the time we reached the early 80s, we were pushing 135 lawyers. And a lot of that had to do with the environmental laws. We created regulatory groups to try to understand what was happening because Congress, in its usual fashion, enacted very broad laws; they were not necessarily clear, and more

importantly they punted to the regulator to develop the regulations. So that was the situation we had to deal with. Every day the federal register literally would be this thick with proposed regulations, coming out with brand new regulations on the various environmental laws. Now you can imagine (this was in the old paperback form) trying to read some of this today on your Blackberry; it would just drive you absolutely mad.

At the same time as the expansion of the environmental laws, industry was moving into unexplored areas--the offshore areas in the North Atlantic, offshore California, Alaska. There was a tension between the development of environmental laws and progressing industry projects. For example, an OCS lease sale was planned in the northeast off of Long Island. (It was known as the Baltimore Canyon Play.) No one in New York wanted industry there. So the first thing the environmental groups did was try to get an injunction against the lease sale. Let's just stop the lease sale from happening. And typically they'd use the National Environmental Policy Act arguing that a proper environmental impact statement hadn't been performed. So, we'd go through that process and finally the court would rule that a proper one had been done. The lease sale would go forward. Exxon USA acquired a number of leases there.

The next thing you had to do is get permits for the drilling rig. Certain discharges occurred during the course of drilling, so you had to get a discharge permit from the EPA. I remember spending close to a year with the EPA up in New York getting a discharge permit. There was a whole industry group and lawyers from Liskow & Lewis negotiating for these permits and it actually took us a year to get it. Just when we thought we were making good progress with the EPA attorney, she would say at around 3:00 p.m., "Well, I've got to shut down the meeting." "Why?" "Well, I've got to go see my analyst." And I said, "Well, I hope we're not causing this." (Laughter) But I mean it was that kind of an environment. So you can imagine, you get your permit a year later and you've already lost a year off the primary term of your lease.

The same thing was happening in Alaska. I negotiated an interim discharge permit from the EPA in Seattle who had responsibility for the Gulf of Alaska, and we were able to get a permit to discharge. These were all new developments that were going on at the same time as a lot of litigation in conjunction with those projects.

I remember once in the darkest hours I was having to explain to one of our engineers about a delay with a permit. There's this healthy rivalry between engineers and lawyers in the Exxon

organization. Although the engineers now run the company, there was a time in the history of Humble Oil & Refining Company when the Baker brothers ran the company. Both were lawyers; one was the President and one was the General Counsel. When the engineers finally got control of the company, they swore they'd never let the lawyers run it again.

Now Mark can identify with a little bit of this since he's got an engineering background and a legal background as well. But I remember going to visit with this particular engineer manager. He was a mean-spirited kind of guy, and he said to me, "You know, you guys have it all wired. You got your lawyers in Congress and they're passing these laws, and you have job security, but all you're doing is frustrating my business purposes." (Laughter) Fortunately, Jimmy Carter was in the White House at that time and he was coming near the end of his term, and so I said, "Well, the lawyers may have Congress," but I reminded him Jimmy Carter had some engineering training and he was in the White House. I said, "he had screwed things up so badly that somebody from Hollywood wants to take his place." (Laughter)

The other thing I remember about the early 70s was the Santa Barbara oil spill that occurred in the late 60s. In California you were *persona non grata* if you were a member of the oil industry, so it was very difficult to do business there. The other dynamic going on at that same time was the risk allocations between drilling contractors and the producers. After the Santa Barbara spill, drillers could no longer get any kind of reasonable insurance for pollution damages from blowouts or damage to the reservoirs. So we ended up spending a lot of time when we entered into contracts with those companies really trying to set forth a proper risk allocation, and essentially the producers bore most of the risk, but at the same time, producers wanted to place some initial thresholds of accountability on the drilling contractors and service contractors so that they would conduct their operations in a proper way.

Now let's focus across the page and look at what's going on internationally. Well, OPEC is really rising to prominence; a number of countries are taking control of their resources in exercising a lot more control on production, and with that, prices rise. And you ended up having price spikes during the 70s. Some of you in the audience are probably too young to remember the Arab embargoes and the long lines at gasoline stations. So here I was a young lawyer with an opportunity to go to Venezuela in 1974. I thought, well, I didn't really want to leave New Orleans. You know, people don't leave the "Who Dat" nation. I had been with Humble about three years. I had put on

my dream sheet that I wanted a foreign assignment. I was thinking UK, Paris. (Laughter) They came back "Venezuela." Well, I convinced my family and friends it was a good opportunity, my daughter was seven, and we went to Venezuela. I think we got permission from the parish priest, as you have to do those things in New Orleans.

We went to Venezuela and I was really enjoying myself. I never thought of this notion of nationalization. I was with an Exxon affiliate, Creole Petroleum. The government take between taxes and royalties had escalated in 1975 to 98 cents on the dollar. The make up of the employment at Creole was about 98% Venezuelan, 2% ex-patriots, the board was evenly split between Venezuela and ex-patriots, but nationalization was still important to the people. Carlos Andres Perez, the president of Venezuela, had been elected on a platform of nationalization so he nationalized the oil industry for the 2 cents. And my little paradise that I was enjoying for two years went away. As a young lawyer, it was a little frightening because you didn't know then where you were going. I didn't have anybody pick up the phone back at Exxon USA and say, "oh, yeah, we're going to take you back." So I floundered around a little while waiting for that phone call. Well, it finally came and that's when we first moved to Houston.

At that time we were able to work out an agreement with the government. We got compensation for the blue book value of our assets and we ended up with a technical service agreement and a crude oil supply agreement, which was very important to Exxon. At the same time, look at the reaction in the U.S. to what was going on outside the U.S. That's when the U.S. Energy Policy and Conservation Act was enacted. That created the SPR. A suit against OPEC went all the way to the U.S. Supreme Court where the court ruled that OPEC had sovereign immunity. The DOE was organized in 1970. Also came windfall profits tax and the FCPA was enacted. The FCPA ended up being pretty dormant in the beginning and you all have heard today and will probably hear from Martin Weinstein after my talk, how the FCPA has grown into a monster, particularly in the last two decades.

All right, let's fast forward to the 80s. This is the boom or bust decade as I like to characterize it. The first half of the 80s was very robust for our industry. Everybody thought oil was going to a hundred dollars a barrel. I called it the early decade of the Rolex watches. Everybody had a Rolex watch in Houston. They were driving Cadillacs and then they grew from Cadillacs to the Mercedes and the BMWs, parties, and champagne. People thought it was really going to be a boom

forever. That was when the Association of International Negotiators was created. That organization has become very powerful today and is a force in industry with all of its model agreements. But it was created back then because industry was looking for elephants, at least the majors outside the U.S. were.

Exxon was involved in the colony project up in Colorado with Shale Oil. We had built a whole facility up there, a whole city for workers. Everybody was excited about that. Exxon was also in the solar business. We even had a nuclear fuels company back in those days. So things were pretty robust. There were a number of industry mergers between Chevron and Gulf, BP and Sohio, Mobil and Superior, and on and on. We had the fight with Texaco and Pennzoil over Getty, which you all remember that case was the start of the first big punitive damages to visit our industry, but I'll talk a bit about that later on. The Energy Security Act was created.

Then we had a collapse and everyone remembers the collapse, the impact it had on Houston, the impact it probably had on a number of you in the audience that were involved in our industry. I mean, every company went through a downsizing. That was probably the most painful thing I had to deal with as a manager; the elimination of people in their jobs. Projects that we had invested in assuming a much higher price, all of a sudden the rates of return were in the 5%, some of them were actually negative returns. It was pretty gloomy during that period of time. And then, of course, the last part of the 1980s really ended with a sour note to ExxonMobil with the Exxon Valdez oil spill.

All right, now we come to the 1990s and a recovery is starting. A lot more work for the lawyers, litigation is booming again, as it always seems to do in either robust or downturn times, a lot more enforcement, and projects start moving. If you look on the environmental side, what occurred is we have the U.S. Oil Pollution Act that was a result of the Valdez oil spill, the Rio Declaration, and Kyoto. It's hard to imagine Kyoto occurred that long ago.

The 1990s ended on a happy note for ExxonMobil because that's when our merger took place, and it was an exciting time in ExxonMobil. We not only had a merger, but we redesigned the management of our entire business structure. We went to what we call a functional organization where starting with exploration we would functionally steward all exploration activities throughout the world; the same for development, production, and gas and power marketing.

The downstream did the same thing. The law department also became functionalized. Before it was attached to the affiliate in the particular country. But we became a worldwide law

department. It was fun building the team, integrating the Mobil lawyers. We were very fortunate to get a number of great Mobil lawyers who have gone on to enjoy wonderful careers in the ExxonMobil organization, as has the management side of the business as well, where many of the Mobil-heritage people have gone on to very senior key positions in the ExxonMobil organization. So it was a wonderful success.

During the period of the 2000s, we continued to build on the merger, to work the many projects that we had because Mobil had a treasure trove of projects to develop in the upstream. They were just short on capital and that was one of the reasons for the merger. So all of a sudden in combining the two companies, we have this treasure chest to pick from.

Now some of them were not in what I would call great neighborhoods. The West Africa experience, many of you have traveled there and know what I mean. The Middle East, Qatar, was probably one of the crown jewels and it's a wonderful place to travel. I've been there many, many times. It was a very exciting time in the early 2000s to be part of that merger--building the team and moving the company on to greater things.

But look at the parallels of what's happening in the 2000s with what I spent some time on in the 70s. I didn't list all the environmental bills that are in Congress now, but we're back to the 70s in a lot of respects. This time we're dealing with climate control. We also have the Endangered Species Act in play for the polar bear. There is significant environmental litigation, and I know the morning session dealt with the Supreme Court's decision to allow the EPA to regulate greenhouse gases, and you all discussed nuisance lawsuits that are going on. And so, in many respects, it's where we were in the 70s and mid-80s. We have had price spikes again, very high this time, and, of course, a visceral reaction from the Congress as a result of that. We've had some price "softening" and now some price "firming up" again.

Every year we go to Dallas and report on antitrust matters and I would say, "well, Congress is back at it again." They're attacking OPEC; they want to remove its sovereign immunity. There is a bill in Congress to take away sovereign immunity from OPEC so that it can be sued under the antitrust laws. We're back talking renewables and Shale Oil and we're developing technology in that area. Shale Gas--we've talked a lot about it in connection with this conference. But you can see, we're pretty much back to where we started in the 70s with a lot of security policies, energy policies, and environmental laws.



The one thing I hope (as I move on to fishing and spending time doing some other outdoor things in retirement) is that this country is finally able to put aside its partisan differences and really deal with the tough issues because we have a number of challenges that face us. We're also back to some traditional oil and gas practices with Exxon's acquisition of XTO. About four years ago, Bill or Mark, correct me if I'm wrong, when I added up the 64 lawyers that we had in the upstream based in the United States, I think only a handful of them were working U.S. matters. The rest of them were working international matters.

Now that's changed a little bit because of Alaska with Point Thompson and the Alaska Gas Project, which may take another act of Congress eventually to move that project forward as it took back in the 70s with the Taps Pipeline. But it is an opportunity for our lawyers to go back and do some traditional oil and gas practice. We were so heavy into the international field, we could not develop lawyers like we traditionally like to do--learn the nuts and bolts of U.S. law first and build on that process, and then we'll introduce you to the international field. Now we are having to deploy very young lawyers out to the international world.

The last thing I'll say on the U.S. side is, and Mark alluded to it a little bit, the one difference I found in the 70s from the last 10 years is punitive damages. Sure, we have in the 2000s our share of creative lawsuits from the Alien Tort Claims Act, Qui Tam, and all the things that we've talked about, and we had some of that back in the 70s, but we didn't have punitive damages. I also thought we were pretty safe from punitives in the upstream. After the ExxonMobil merger, we got hit in Alabama for \$3.4 billion in punitive damages, and then in New Orleans for another billion in a NORM case. And that's when a number of us in ExxonMobil, particularly in the upstream, started to lose a lot of sleep trying to get that case overturned.

It went up to the Alabama Supreme Court the first time. This is an oil and gas case and the lease was ambiguous. The lease said, "In the event of an ambiguity, the State prevails." We were in discussions with the State to try to resolve that case. There were cost-netting issues as we typically have with a royalty owner. After a new administration was elected in Alabama, the governor hired some plaintiff lawyers on a contingency fee and the next thing we hear from the plaintiff lawyers is that this is a fraud case. They actually invented for the jury the "tort of cheating." I'd never heard of the "tort of cheating," but it sounded like it was a lot easier to prove than fraud (laughter), which requires detrimental reliance and so forth, and they argued Exxon cheated the State.

So anyway we lost the case the first time mainly because the judge allowed an opinion by one of our in-house counsel into evidence who had evaluated the lease and told the client what engineers like to hear--percentages, right? Okay, well you got a 50% chance of prevailing here, and a 40% chance of prevailing here, 60 on this particular issue, and, of course, they saw that in the Opinion, and got it before the jury saying, "see, the lawyers said they only had a 50% chance and they took the deduction anyway, so they cheated the State and they need to be punished." And, of course, that's what inflamed the jury and we ended up with that award, and I thought, "my goodness, how are we going to resolve this?" Because of the size of the award, we appealed directly to the Alabama Supreme Court. They did not want to decide the case. We had briefed the case and so they ordered us off to mediation.

Well, maybe we have a chance here, and so we go to mediation, and Jack Balagia and I went there and we brought our president, Terry Koonce. I made my speech to the mediator. He was a former Alabama judge. I told him how this verdict's going to clearly get overturned and we're not going to pay any punitive damages, that this is wrong. I said, "but most importantly, it's just not fair." We were meeting with the mediator separately from the State's lawyers because the acrimony between the plaintiff's side and us was so bad, we couldn't even be in the same room with one another. And he looked at me and he said, "Boy, FAIR? Let me tell you what 'FAIR' is. (Laughter) In the great State of Alabama, 'FAIR,' that's what comes to town twice a year (laughter) with the ferris wheel and the cotton candy. That's what 'FAIR' is in Alabama." Well, needless to say, we didn't get too far. (Laughter) Fortunately, the Alabama Supreme Court threw that case out and we got a new trial. We went back this time without the attorney-client privilege information, and we had to try it again. This time we got hit for \$11 billion. (Laughter) The only thing I could think, and I almost wanted to say it to the management, but then I remembered that remark I made to that other engineer about Jimmy Carter and I kind of bit my tongue. I wanted to say, "Well, at least with the lawyer opinion, the verdict was only \$3.4 billion." (Laughter) But anyway, we got that overturned. But I think the lesson there is that you need to stick to your principles.

Now if you look at what's happening on the international side, it's the same thing over again. Host governments wanting to change the terms of the contract. We've talked a lot about that today. I know Doak Bishop talked to you about ICSID arbitrations and Mark mentioned Venezuela. Yeah,

I'm the only lawyer in ExxonMobil to have been kicked out twice. So you can see, what's happening on the international side is almost a repeat of what we lived through in the 70s.

I've got another chart I wanted to show you that I borrowed from our environmental group. Now all you lawyers are wealthy people and pay a lot of taxes so you know the complexity of the tax laws. But look at the relationship between the tax laws and the environmental laws and how it's grown since the 70s on that viewgraph, which I think is quite striking, and this is thru 2007. Now you can imagine what will happen if we get the climate legislation through. The good news for all of you in the room, this is the second stimulus package for the lawyers. (Laughter) And frankly, I think law departments will grow exponentially, as will outside counsel, if we've got to go through a whole new wave of environmental legislation.

The last chart I wanted to show you is just what production's done during my career. Now I had nothing to do with this, but just look at U.S. production where it is right now. It peaked actually when I joined the company at 11.3 million barrels a day, and as of 2009, U.S. production's down to 6.7 and net imports are up to 11, and the top part of the chart is really worldwide production and it's (more or less) following worldwide demand. But you can see the gap and you can see why on the international side it's been so important to us, and why access is so important, and not getting the access right now is why we're ending up in places like Canada with unconventional resources to develop and how difficult that is. We have our challenges ahead of us with tight gas, with Shale Oil, and with the heavy oils and unconventional methods of development. But this is what the industry has to face.

Now I'm going to leave you with ten quick lessons because I know time's getting short; in fact, I need to wrap up quickly. Ten lessons during my 40 years:

First of all, what's obvious, what goes around comes around. I think there's a lot to learn from history, not only for all of you in the audience, but I think to point out to the policymakers. We really need to have a common sense, integrated approach. Clarence talked about it last night at the Rogers Award, Rex Tillerson's been preaching it, a lot of people have been preaching it, but somehow we've got to convince Washington and the policymakers.

Second, embrace change. I certainly had a lot of change in my career, and whether it was international practice or domestic practice, I think you need to be flexible enough to make those changes and go on and learn different things.

Third, welcome the adventure. The international practice is not for the faint of heart. It's not Paris and the UK like I thought it was. (Laughter) There are some pretty tough places. I had a lawyer the other night describing to me the security plans for Iraq. We've got outside counsel on the ground there, but one day our inside counsel may have to go. (Chuckling) He was describing to me the security measures, living inside a compound with cinder blocks. You're surrounded by these cinder blocks and you have a little cot in the middle, just in case something goes off, maybe these cinder blocks will help you. They teach you how to roll out of the cot quickly and so forth. So I don't know how one gets a good night's sleep (laughter), but certainly the international practice is not all it's cracked up to be.

Fourth, have an intellectual curiosity. That's something I have preached to all of our lawyers--never lose the drive to learn something new. With new technology developing, with new laws and matters of that sort, have that curiosity to get out there and learn these new and different things.

Fifth, be optimistic. There were pessimists when I joined the company. They asked me, "Why are you joining this company? It's a sunset industry." That was 40 years ago. Well, we're still here and I think we're going to be here for a long time. So be optimistic about that.

Sixth, stick to your principles. I think the Alabama case was an important case for us. Hunt Oil was there with us, a smaller company, their case actually went up first and they were successful that this was a contract breach case, not a fraud case, and they stuck to their principles. Some other companies, God bless'em, they settled, but we made an important principle of law in that case and that's something you need to stick to. We've also stuck to our principles on the attorney-client privilege, not only in that case, but in a lot of these government investigations where the government wants you to wave attorney-client privilege and I know Charles and I and the other members of the Law Management Committee always felt we could not run an effective preventive law practice if we were going to tattle-tale on our clients later. And so we've stuck to that principle and I think it's served us well.

Seventh, maintain integrity. It has to be grounded in ethical standards and independent of a law department and independent of outside counsel as well. It's just shameful the GCs that have been going to jail and all of the things that are happening in our profession to people that are bright, smart, and wealthy to begin with, and yet taking those kinds of risks and really bringing shame on our profession.

Eighth, welcome diversity. When I started with the company, I think we had maybe one female and one minority in Humble's law department. The minority ended up becoming a judge. And when I checked, I think as of 2008, we're about 43% female and minority. So that's been quite a change and I'm proud to say we have females and minorities in key leadership positions in the law department. When I retired, four of my six direct reports were females. So I am proud of that.

Ninth, be effective as a lawyer. That takes gaining the confidence of your client. Sometimes, you have to give the client bad news or tough news, but there's a way to say it. It always goes back to the bedside manner, that's the way to be effective, and a sophisticated client knows if you're just pampering to them or telling them what they want to hear.

My last of my top ten is to have fun along the way as I did. Thanks. (Applause)

MARK: Ted, I want to thank you for your comments and express our gratitude for your service for the Institute. Thank you so much.

TED: Thank you. (Applause)

(End of audio)

*Dean's of Oil and Gas Practice Lecture*  
*February 19, 2010*

# 40 YEARS IN OIL PATCH

*By Ted Frois*

# 1970s

## International

- **Environmental**
  - ❖ UN Stockholm Declaration - 1972 (Right to Healthy Environment)
- **Energy**
  - ❖ OPEC Raises to International Prominence
  - ❖ Member Countries Take Control of their Domestic Production and Acquire Major Say in Crude Pricing
  - ❖ Arab Oil Embargo First Oil/Gas Price Spikes - 1973
  - ❖ International Energy Agency Founded - 1974
  - ❖ Venezuela Nationalization - 1976
  - ❖ Iranian Revolution - 1979

## United States

- **Environmental**
  - ❖ EPA Created - 1969
  - ❖ National Environmental Policy Act of 1969 (NEPA) - 1969
  - ❖ Clean Air Act (CAA) - 1970 (with major amendments in 1977 and 1990)
  - ❖ Clean Water Act (CWA) - 1972
  - ❖ Endangered Species Act (ESA) - 1973
  - ❖ Resource Conservation and Recovery Act (RCRA) - 1976
  - ❖ Toxic Substances Control Act (TSCA) - 1976
- **Energy**
  - ❖ TransAlaska Pipeline Authorization Act - 1973
  - ❖ U.S. Energy Policy and Conservation Act - 1975 (Strategic Petroleum Reserves)
  - ❖ DOE Organization Act - 1977
  - ❖ IAM v. OPEC - 1979 (Sovereign Immunity for OPEC)
  - ❖ Windfall Profits Tax
  - ❖ Market Value Gas Litigation (Exxon v. Middleton)
  - ❖ FCPA Inacted

# 1980s

## International

- **Energy**
  - ❖ Energy Crisis continued - 1981
  - ❖ United Nations Convention on Law of Sea - 1982 (Ownership of Deep Seabed Resources Beyond National Boundaries)
  - ❖ Oil Price Collapse - 1986
  - ❖ Association of International Petroleum Negotiators (AIPN) Formed - 1982

## United States

- **Environmental**
  - ❖ Superfund (1980)
  - ❖ Energy Security Act - 1980 (Renewable Energy and Conservation)
- **Energy**
  - ❖ Royalty Take or Pay Litigation
  - ❖ Chevron/Gulf Merger - 1984
  - ❖ Texaco Pennzoil Punitive Damages



# 1990s

## International

- **Environmental**
  - ❖ Rio Declaration on Environmental Development - 1992
  - ❖ Kyoto Accord - 1997
- **Energy**
  - ❖ West Africa/Angola/EG/Nigeria Deepwater
  - ❖ First AIPN Model Forms (Operating Agreement and Confidentiality) Published

## United States

- **Environmental**
  - ❖ U.S. Oil Pollution Act (Partly Response to Exxon Valdez 1989) - 1990
- **Energy**
  - ❖ FCPA Enforcement Increases
  - ❖ Royalty Posted Price Litigation
  - ❖ Punitive Damage Awards in Billions
  - ❖ Qui Tam Litigation
  - ❖ Alien Tort Statutes Litigation
  - ❖ Oil Industry Mergers (ExxonMobil)

# 2000s

## International

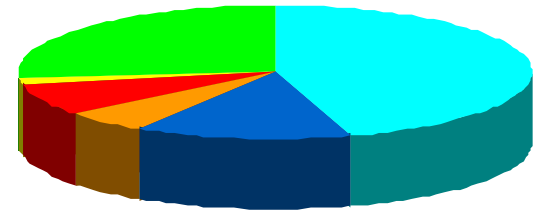
- **Environmental**
  - ❖ Copenhagen Climate Summit
- **Energy**
  - ❖ Price Spike
  - ❖ Russia PSCs Production Startup
  - ❖ Creeping Nationalization/Change Contract Terms
  - ❖ Access to New Resources Constrained/Highly Competitive
  - ❖ NOCs a Force

## United States

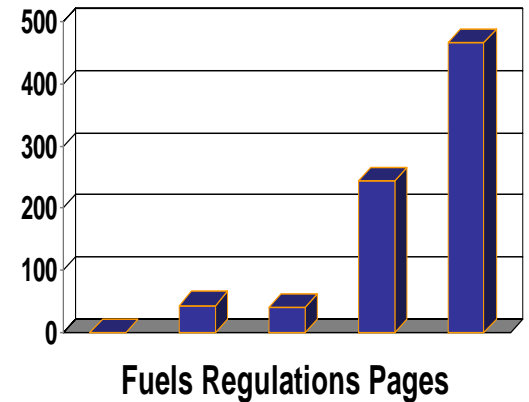
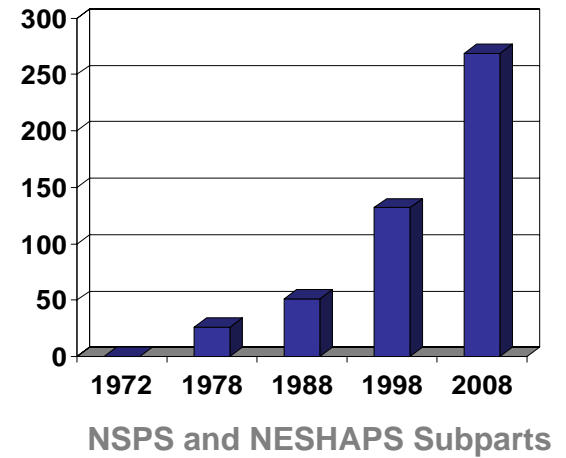
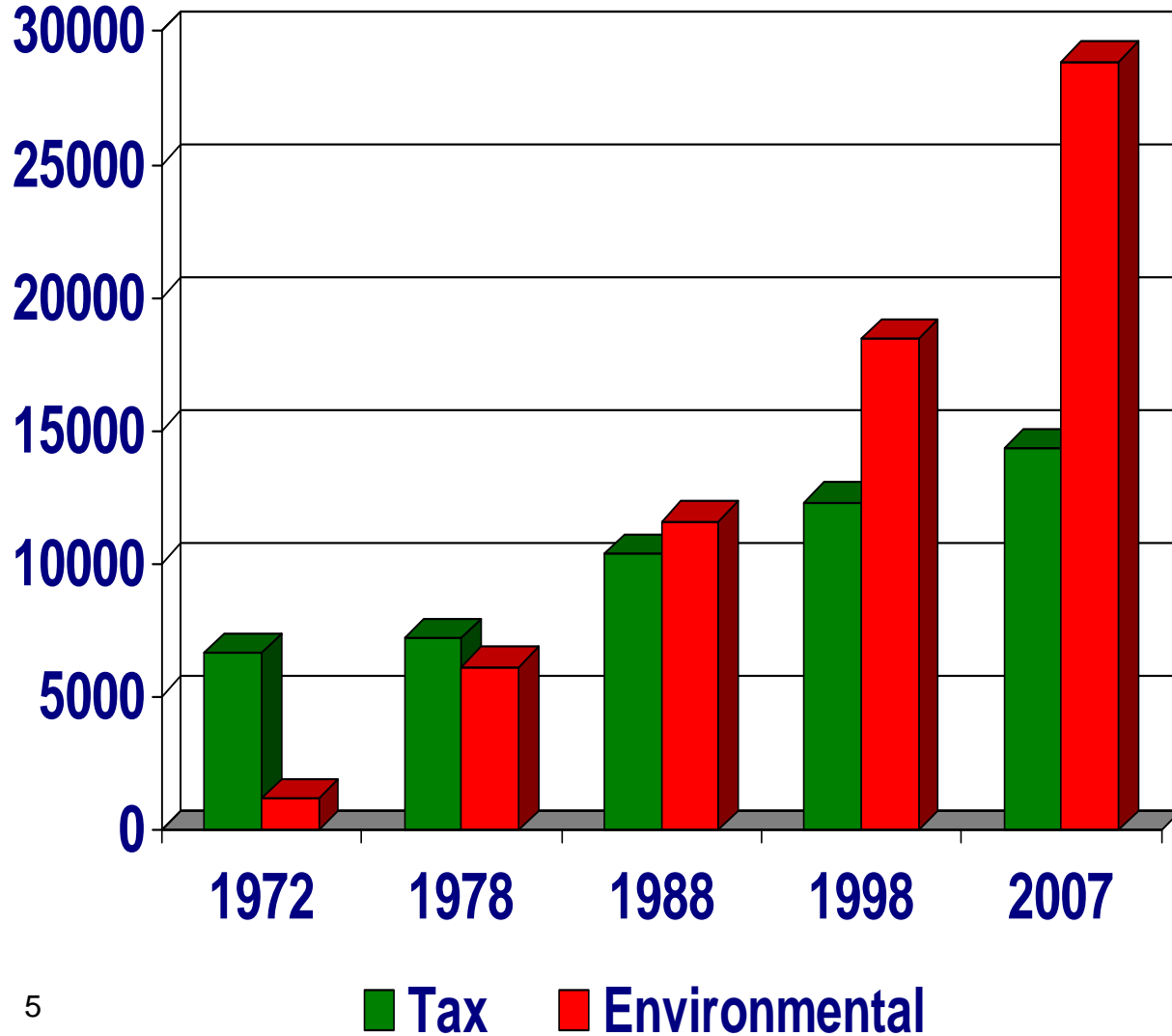
- **Environmental**
  - ❖ Climate Bills in U.S. Congress
  - ❖ Alternative Energy Stimulus
  - ❖ U.S. Supreme Court (EPA Can Regulate CO2 Emissions)
  - ❖ Global Warming Lawsuits Under General Nuisance Principles
- **Energy**
  - ❖ U.S. Energy Policy Act - 2005
  - ❖ U.S. Energy Independence and Security Act - 2007
  - ❖ NOPEC Bill in Congress
  - ❖ Oil Industry Mergers Continued
  - ❖ Exxon Acquires XTO

# Environmental Law: More Complicated than the Tax Code

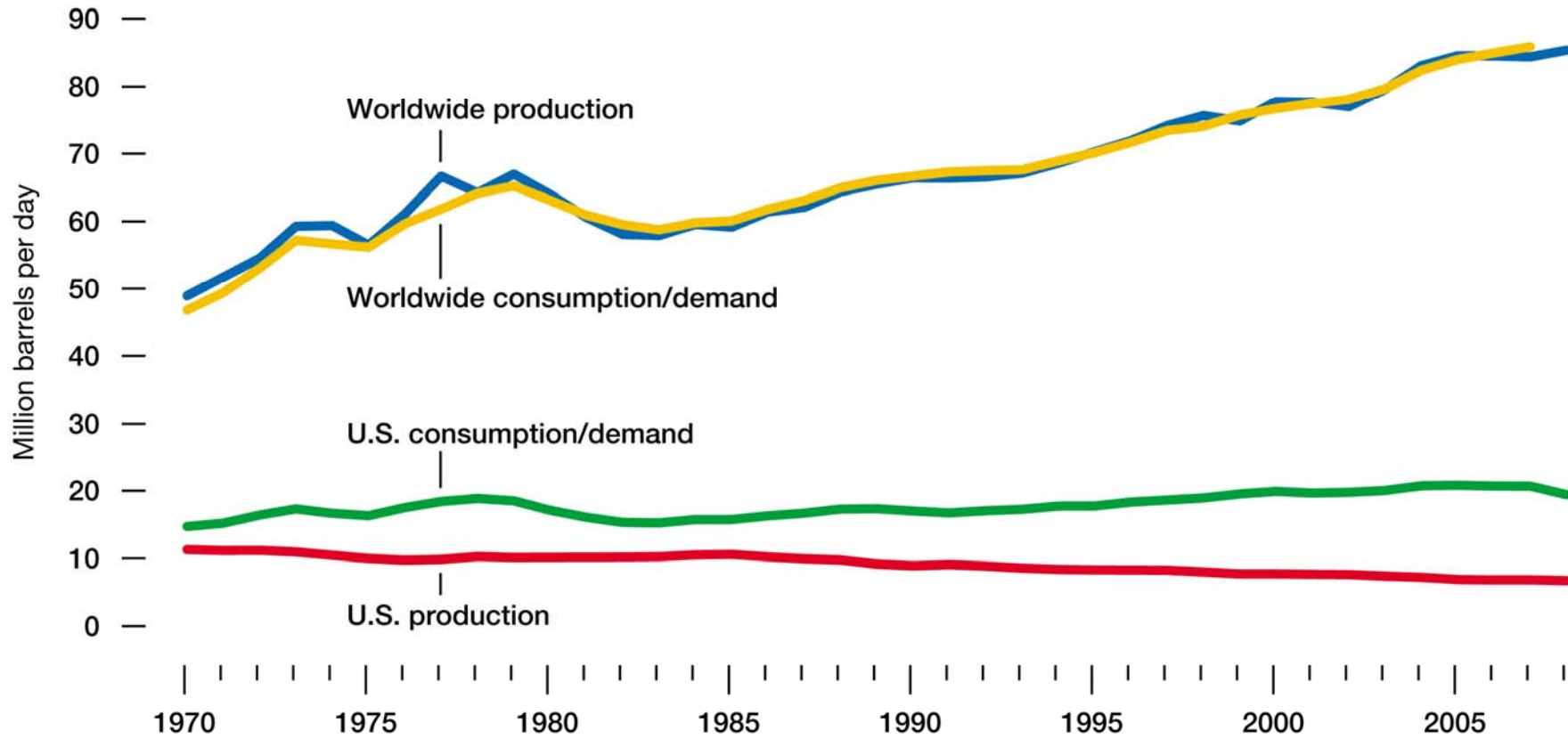
(Pages in Code of Federal Regulations: Tax vs. Environmental)



- Air
- Water
- Waste
- Safety
- Remediation
- Other



### 1970—2008: Oil demand and production



Source: Energy Information Administration

When U.S. petroleum production peaked at 11.3 million barrels per day in 1970, net imports stood at 3.2 million barrels per day. By 1996, net imports exceeded production. In 2008, production was 6.7 million barrels per day, and net imports were 11.0 million barrels per day.