

NOW HIRING

Finding talent is more complex, difficult in today's market

BY TRACY HUME • FOR ENERGY PIPELINE



JACK EKSTROM



ELIZABETH DAHILL



BILL CASSIDY



JAMES MASTERS

JACK EKSTROM JOINED Whiting Petroleum Corporation in 2008, the company had 450 employees. Six years later, the company has 1,100 employees, said Ekstrom, vice president of corporate and government relations at Whiting.

“At any given time, we have about 250 approved positions that we need to fill during a 12-month period,” Ekstrom said, “even though we are not recruiting for all of them at the same time.”

Whiting Petroleum’s surge in hiring reflects a larger hiring boom within the oil and gas industry that is playing out across the nation. U.S. Bureau of Labor Statistics indicate that 119,800 people were directly employed in oil and gas extraction across the U.S. in 2004. Ten years later, that number has nearly doubled, to 213,500.

Advances in production technology - including horizontal drilling and hydraulic fracturing - are the primary factor behind the hiring growth in the oil and gas industry. “The new technology has driven activity to levels that were previously not believed possible,” said Ekstrom.

The problem now is that companies can’t find enough qualified people to fill the positions being created. “If you look at all the companies operating in the DJ Basin - PDC, Noble, Anadarko, Whiting, Carrizo, Bill Barrett - every one of us is recruiting for jobs in Weld County,” Ekstrom said. “We have all talked about how demand [for qualified talent] has outstripped supply.”

THE LOST GENERATION

The boom-and-bust history of the oil and gas industry is partly to blame for the dearth of experienced talent available today, according to Elizabeth Dahill, principal at The Dahill Group, a professional oil and gas recruiting firm based in Denver.

“Back in the late 1980s and early 1990s the industry was in a slump and there were significant layoffs,” Dahill explained. “Most of the big majors - like Apache and Marathon - pulled out of operations. They retrenched, laid off people here in the Rocky Mountain region, and moved their operations to Houston. It meant that we

have this lost generation of individuals that were unable to find work in the industry, so they had to retool themselves into other industries.”

Colorado’s best-known industry dropout may be Gov. John Hickenlooper, who opened the state’s first brew pub after he lost his job as an oil and gas geologist in the mid-1980s.

“Twenty years later, now that the industry is back, we are experiencing a lack of leadership because we don’t have the individuals that were just being groomed for oil and gas leadership roles 10 or 15 years ago,” Dahill said, “This ‘lost generation’ has really had a significant impact.”

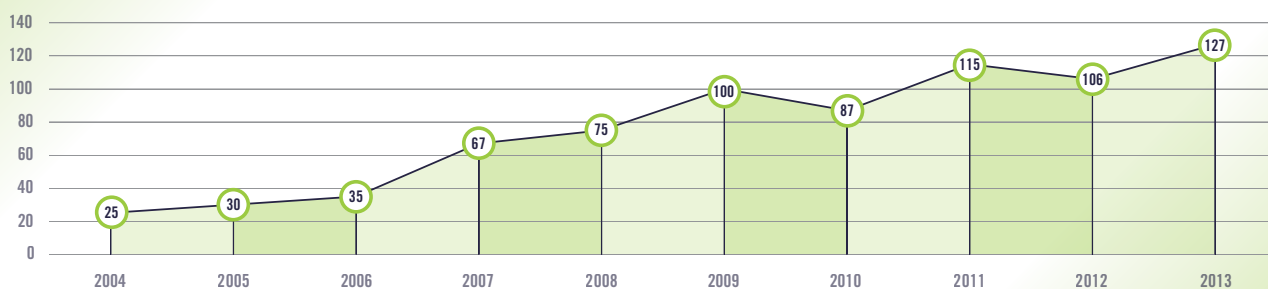
Indeed, surveys conducted by Deloitte Research indicate professionals in exploration and production (E & P) companies are, on average, 50 years old. Furthermore, 40 percent to 60 percent of the industry’s aging professional workforce, including geoscientists and engineers, are expected to retire in the next five to 10 years.

A WAVE OF RETIREMENTS

Many companies with connections to the DJ Basin already have begun to experience the coming wave of senior-level retirements. In March of this year, Bonanza Creek announced the retirements of Gary A. Grove, executive vice president of engineering and planning, and Patrick A. Graham, executive vice president of corporate development. In April, Noble Energy announced the retirement of CEO Charles Davidson, who had served in that position since 2000. In August, Carrizo Oil & Gas Inc., announced the retirement of Paul F. Boling, vice president, chief financial officer, secretary and treasurer. And in October, Plains All American Pipeline announced the retirement of Chuck Kingswell-Smith, vice president and treasurer.

“Many companies lack the bench strength they need at the executive level,” said Dahill. “In fact, only 15 percent of the companies we surveyed actually believe they have an internal candidate available to take over for a retiring CEO.”

Number of Bachelor's Degrees in Petroleum Engineering Awarded, Colorado School of Mines



Source: Colorado Department of Higher Education, higher.ed.colorado.gov/Data/Search.aspx, retrieved 10/12/14

ENGINEERS IN SHORT SUPPLY

The downturn in the fortunes of the oil and gas industry affected not only people already employed in the field, but also students deciding on career directions. Bill Cassidy, executive vice president and CFO at Bonanza Creek Energy, said, "At the end of the 1990s, there was a lot of oil and gas company consolidation. So a lot of kids heading to universities walked away from energy and studied tech and business and finance instead."

Data from the Colorado Department of Higher Education shows that in 2004, the Colorado School of Mines awarded only 25 baccalaureate degrees in petroleum engineering; in 2013, the number of baccalaureate degrees awarded in petroleum engineering increased to 127.

"There are always going to be companies looking for engineers," said Jacques Pernitz, president of Precision Placement Services Inc., which specializes in oil and gas recruiting. "Engineers have always been difficult to find. If you are a strong engineer, you are going to find a job. Companies will create positions for those types of good people."

The catch is that it takes time for an engineer to develop marketable expertise. A 2014 Labor Market Analysis of the Oil and Gas Industry, conducted by Mercer, estimated that it takes three years of experience for a petroleum engineer to master the fundamentals of the job; four more years to become proficient; and 11 more years to become an expert.

"Companies that come to us want experienced talent," Pernitz said, "They don't want to pay for inexperienced talent.

THE DOWNTURN IN THE FORTUNES OF THE OIL AND GAS INDUSTRY AFFECTED NOT ONLY PEOPLE ALREADY EMPLOYED IN THE FIELD, BUT ALSO STUDENTS DECIDING ON CAREER DECISIONS

We can't bring them entry-level people. That is why when we get contacts from entry-level people, we give them advice, and we encourage them to contact the companies themselves. It is very unlikely, from a recruiting company standpoint, that we are going to be able to place them.

"In almost all areas of oil and gas now, the five- to 10-year person is an extremely valuable person," Pernitz said. "That is probably the most marketable candidate out there, because they are not that 30-year person, coming up on retirement, but they have enough experience at that five- to 10-year level. They are up and coming, and they are highly marketable."

POACHING ABOUNDS

The finite labor pool in the industry sometimes leads companies to poach the talent they need from other companies. "People poach back and forth as they see

great talent out there that can bring their drilling forward and allow them to grow their company," Cassidy said. "It's a very competitive environment."

"It's a seller's market here for employees," said Ekstrom, "if you are available and you have the skills, you can pretty much name your own price."

James Masters, manager of investor relations for Bonanza Creek Energy, said that one advantage Bonanza has is its Colorado location. "At higher levels, people have options and can go wherever the pay is best, or wherever they want to be," he said. "Living in Colorado is a bit of a selling point. We have a lot of people who want to be here. They want to leave Houston and come to Denver, so that is a kind of intangible benefit that we have compared to some of our peers in other areas of the country."

Pernitz said that poaching has always been a strategy used within the oil and gas industry, but "in the past, when they used an outside recruiter, nobody would complain, because the recruiter did the poaching.

"Now companies are hiring their own recruiters and doing it [poaching] directly," Pernitz said. "They are going to LinkedIn and contacting the candidates themselves, which I think is going to cause major problems in the industry. There are going to be payback ramifications."

TRANSFERABLE SKILLS

Some companies are approaching the labor shortage by casting a wider net and looking for talent outside the oil and gas



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JACQUES PERNITZ, President of Precision Services, Inc.

industry. The mining industry, for example, has many concerns in common with the oil and gas industry.

“Some of the skills and issues in mining and oil and gas are similar,” Dahill said. “For example, managing the capital to mine, the capital to drill, the shareholder issues, the government regulation issues, the special interest issues. You have all of those things in both industries, so I have seen people that migrate back and forth a little bit from the mining industry to the oil and gas industry.”

“Some skills are transferable,” said Dahill. “Chief financial officer skills can sometimes be learned outside the industry, and chief technology officer skills as well. The CFO and the CTO are not as critically driven by the nuances of the industry as the CEO and engineer are.”

“In the engineering space, the skills are not transferable,” Dahill said. “You can’t go and pick somebody up who is a chemical engineer at a place like DuPont and train them to become a reservoir engineer or a drilling engineer or a completions engineer because of the complexity involved.”

Pernitz agrees that “there is a big difference between being an engineer within the oil and gas industry and being an engineer outside of the industry.”

“In the history of my company, none of my clients have ever asked me to find somebody who did not have specific industry experience in oil and gas,” Pernitz said.

GROW YOUR OWN

The limited effectiveness of poaching in a finite market and the limitations of bringing in talent from outside industries has led many companies right back to the starting point. That is, hiring talent fresh out of school and growing their own.

“Whiting is recruiting heavily at the Colorado School of Mines, at Colorado State University, Montana State, the University of North Dakota, Texas A&M, and places like that, for the exploration geologists and the geophysicists and the petroleum engineers that have advanced degrees,” said Ekstrom. “We recruit very heavily for those because those are the ones that define the future success of the company.”

“One of the most important things the industry is learning right now is that they need to take a long-term view in building the professional talent pool,” agrees Dahill. “Even though the industry may surge and dip, based on oil prices, it will cycle back up, and if we can continue to stay on track in identifying skilled and experienced individuals who can be trained and nurtured into these new roles, it will make a significant difference.” ♦