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## Economy shuffles energy deck

Shaky economy spurs turnover in C-level suites  
Houston Business Journal - by [Ford Gunter](#)

Houston energy companies have seen a raft of top executives come and go as summer approaches.

A report released last week by **Challenger, Gray & Christmas Inc.** notes that 18 energy chief executives have left their posts nationwide since Jan. 1— a turnover rate twice the pace of 2008.

Executive search firms say the revolving door is due to a number of factors.

Some long-timers are electing to retire instead of face another down cycle in the economy. Others are being forced to retire because of another down cycle in the economy. Some are leaving their companies for greener pastures. Others are restructuring in anticipation of fewer green pastures in the future.

David Preng, founder of the executive search firm **Preng & Associates**, has seen C-level moves for all of these reasons.

“We’re seeing a little tire-kicking in companies where the board might want to come in and do a replacement,” says Preng. “There’s obviously some restructuring going on. One person I know who is in that business was asked to look at three different chief restructuring officer positions.”

### Changing the game

Desire for change is natural in an economic downturn, says Jane Howze, managing director of **The Alexander Group**.

“When (people) aren’t making as much money, they think, ‘I can’t control the price of oil; what can I control? The way my business is run, costs, employees,’” Howze says. “There’s a bigger push for operational efficiencies now than a year ago. You also see people restructuring in really good times, but in a more expansive way. Now a lot of people say, ‘Maybe we don’t need this area, maybe we can combine these two departments.’”

Diane Ashen, president and owner of **Ashen & Associates Executive Search**, has 31 years in the business. The specialist in upstream oil companies says the shake-ups now are not necessarily related to the recession, and questions the logic.

“All the large companies have reorganizations and change the direction or composition of their companies,” says Ashen. “What’s going on now is not a reflection on any recession tendencies.”

Companies often play follow the leader and mimic how other companies streamline business models and think it will work for everyone.

Explains Ashen: “The models that some of them have been using, I don’t see the logic in them. The recent management changes that have dislodged senior executives over the past several months due to extensive reorganizations is not

necessarily logical from the outside looking in. It appears that some older oilfield companies try to copy a business model that works for a company bigger than their own, but in reality only results in disenfranchising long-term employees and confusing the end-users. I am not convinced this is really progress.”

David Deaton, a partner in the energy practice of the search firm **Allen Austin Executive Search Consultants**, sees a similar trend.

“They benchmark each other and they’re all trying to streamline their companies as much as possible and when things get a little more different the activity level goes up a bit,” Deaton says.

An example is **Royal Dutch Shell PLC**, which announced the elimination of thousands of jobs and reported that CFO Peter Voser will replace Jeroen van der Veer as CEO on July 1.

“The new guy at Shell comes from the financial side,” Deaton says. “That to me signals there’s going to be more of an emphasis on financial results, as opposed to operational results.”

Preng of Preng & Associates points out that companies have to walk a fine line in satisfying shareholders and lenders.

“Hopefully, the board is smart enough to not appease just the shareholders,” he says.

Appeasing the lenders is a whole other ball game.

Says Preng: “If the lenders have lost confidence in the CEO, and in the ability to strategize and execute a strategy going forward, when that happens you’ve got to have a change,” Preng says. “\$120 oil can cover up a few cents; \$50 oil cannot.”

### **Greener Pastures**

Howze of The Alexander Group notes a distinction between resignations and retirements.

“You’ve seen a lot of people who have been at the helm for a long time,” Howze says. “They’ve had a good career, they’ve made a lot of money. Maybe they want to retire. A lot of people don’t want to have to go through another business cycle. A lot of these people don’t have to.”

The force-outs can be difficult to differentiate.

“Any time a company is under falling prices and falling share prices, there is always a sense of, ‘Do we have the right people at the helm?’ ” Howze says.

Those who leave to take better jobs are rare at times like this, says Sajiah Chmaitelli, senior executive search consultant with HireSynergy.

“This is my third recession,” says Chmaitelli. “Top talent does not move in a market like this. They don’t like it. There are less and less large cash bonus sign-ons.”

She says Houston’s market has held relatively steady in the recession, and there’s been far less high-level movement in 2009 than there was in 2001.

“People who aren’t completely miserable aren’t likely to move,” she says. “The people who I’m seeing move are getting a fantastic opportunity.”

While executive searchers freely speculate on C-level comings and goings, companies provide few details on the causes.

ConocoPhillips spokeswoman Nancy Turner notes that when the company lost Jim Gallogly to **LyondellBasell Industries**, there wasn't much to do but promote two from within to fill the void.

Says Turner: "There really isn't anything to comment on. The changes were made because our former executive VP for exploration and production resigned to become the CEO of LyondellBasell."

### **Energy sector goes through C-level shakeup**

Volatile prices and a stagnant economy are generating more movement than usual in executive suites in the energy sector.

A number of companies, large and small, have undergone changes, voluntary and involuntary, in C-level boardrooms. The following is a roundup of recent exits, entrances and advances in the upper ranks at Houston energy companies.

#### **Accelergy Corp.**

- Named Tim Vail CEO and David Eichinger CFO. Both are former executives of **Synthesis Energy Systems Inc.**

#### **Cobalt International Energy LP**

- Named Rodney Gray as CFO and executive vice president to replace outgoing CFO James Ivy.

#### **ConocoPhillips**

- Jim Gallogly, executive vice president of exploration and production, left to become CEO of LyondellBasell.
- Ryan Lance, former president of exploration-Asia, Africa, Middle East and Russia/Caspian promoted to senior vice president of exploration and production-international.
- Kevin Meyers, former president of exploration and production-Canada, is now senior vice president of exploration and production—Americas.

#### **Devon Energy Corp.**

- Combined International and Gulf divisions into one offshore division in Houston, naming Tony Vaughn as senior vice president and division head.

#### **Hyperdynamics Corp.**

- Elected not to renew contract with President and CEO Kent Watts, scheduled to expire on July 1. Watts will stay on as chairman while company search committee looks for a successor.

#### **Linn Energy LLC**

- Named current President and COO Mark Ellis president and CEO, effective January.
- Current CEO and Chairman of the Board Michael Linn will become executive chairman of the board, and remain an officer.

#### **Petro Resources Corp.**

- Wayne Hall stepped down as chairman and CEO but stays on as vice chairman.
- Don Kirkendall resigned from the board but remains president.
- Gary Evans is the new chairman and effectively CEO.

- Ronald Ormand is executive vice president and CFO.

### **Pyramid Petroleum Inc.**

- President and CEO Ilyas Chaudhary resigned.
- Former CFO and current board director Mansoor Anjum was appointed by the board to succeed Chaudhary.

### **RRI Energy Inc.**

- Restructured by forming an Office of the CEO led by president and CEO Mark Jacobs.
- Brian Landrum, chief operating officer, and Charles Griffey, senior vice president of regulatory affairs, resigned and their positions will not be filled.

### **Shell**

- CFO Peter Voser will replace Jeroen van der Veer as CEO on July 1.
- Linda Cook, head of Shell's liquid natural gas division, resigned.

### **Southwestern Energy Co.**

- Promoted President and COO Steven Mueller to CEO, replacing Harold Korell, who was appointed executive chairman until he retires in the first quarter of 2010, when Korell will become non-executive chairman.

### **Petrosearch Energy Corp.**

Announced that employment agreements for Richard Dole, chairman and CEO, and David Collins, CFO expired on April 30. Both will stay until the shareholder meeting to discuss a proposed merger with **Double Eagle Petroleum Co.**

### **Gulf Alternative Energy Corp.**

- Appointed Kathleen Delaney chairman and CEO.