



J. RAY McDERMOTT – COMING BACK STRONG



*World Energy interviews Kurt Nelson,
Senior Vice President, Sales, Marketing & Strategic Planning, J. Ray McDermott*

Kurt S. Nelson is Senior Vice President of Sales, Marketing & Strategic Planning at J. Ray McDermott, S.A. He joined the company in 1971 as a field engineer and has held various management positions in construction and offshore marine engineering, spending the last 15 years in senior management roles. His overseas posts include the UK, Nigeria, Angola, Australia, Singapore and the Middle East. He is now responsible for building and maintaining global client relationships and alliances. Mr. Nelson received his Bachelor of Science degree in engineering from the Georgia Institute of Technology.

World Energy: J. Ray McDermott is one of the pioneers of the offshore drilling industry, but the company has seen its share of hard times. Now, it appears that things are looking up.

Kurt Nelson: Absolutely. We have a great comeback story and we're very bullish about the future.

World Energy: The challenges of the offshore energy industry are well known to our readers. In light of recent performance, some questions were raised about J. Ray's ability to survive as a going concern. What has J. Ray done to overcome this perception?

Kurt Nelson: A lot of things, starting with new leadership from outside and inside the company. Bob Deason came over from Fluor a year ago to become the first outside president for J. Ray. Bob has a proven track record for large-scale international engineering and construction projects, and he's achieved a good mix of new management personnel and experienced people from inside J. Ray.

World Energy: You're a longtime insider, with 32 years at J. Ray. What made you leave your position as head of the company's Middle East and Far Eastern operations to take a position at the headquarters here in Houston?

Kurt Nelson: The short answer is I wanted to be an integral part of our overall turnaround. One of the early decisions in 2003 was to centralize control of strategy, business development and project management in Houston. So this was and is the place to be.

World Energy: Well, then, let's talk strategy. Are you looking at the offshore business differently?

Kurt Nelson: Yes, we believe that to create value, we have to focus on the front end of engineering and design, not just fabrication and installation. This means our first priority is to be a solutions provider, delivering to our customers the technical capability and experience as well as the physical capacity to provide the full range of solutions.

World Energy: A great deal has been written in this magazine about partnering. From the service industry viewpoint, it usually means a more equitable distribution of risk.

Kurt Nelson: You're right, and that's one of the key elements in our current strategy. From our perspective, the pendulum, in terms of margins and risk acceptance, had swung too far in favor of our customers. Frankly, it brought many of us to the brink of destruction.

World Energy: And you feel that the operators are coming around to the same view?

Kurt Nelson: There's no question. In our case, the proof is in our new bookings. They are currently at \$1.4 billion. With new business coming in every day, we're maintaining our share of the market, so it's evident that customers are





accepting our insistence of an equitable balance of risk for both parties as well as more reasonable margins. What we had to do was take a more realistic approach to risk, accepting only what we can quantify and being careful that our bids provide acceptable returns on our shareholders' investments.

World Energy: Is it all about better bidding, then?

Kurt Nelson: While bidding is important, there's far more involved in competing in today's marketplace than merely price. Across the industry, the factors of safety, schedule, constructability, operability and quality have reemerged as key parameters, and that's good for us because we believe we deliver these "NPV enhancing" elements as well as or better than anybody in the business.

World Energy: How so?

Kurt Nelson: As I mentioned, we've refocused ourselves on improving engineering and design capability, as well as the basics of project management and execution. Having taken the steps necessary to implement fundamental change and seen evidence of initial success, we are absolutely confident in our ability to be the top-seed player in this changing and challenging market.

World Energy: What are some of your latest projects?

Kurt Nelson: Our most recent is the award of a \$190 million EPIC contract from Dolphin Energy [a United Arab Emirates-led consortium that includes France's Total and the USA's Occidental Petroleum] for two integrated drilling and production platform complexes for Qatar's North Dome field development project.

World Energy: What about your Spar business?

Kurt Nelson: While we want customers to know that we go far beyond Spar technology, we're still the leader in that field. We just finished the 12,785-ton Murphy Oil Front Runner Spar hull at our Dubai facility, and then towed it to Green Canyon in the Gulf of Mexico, where it will operate in over 3,300 feet of water. This is the third Spar hull project that our company has undertaken these past two years, as we broaden our focus into deeper water and into floating production solutions.

World Energy: What's going on at your Morgan City yard?

Kurt Nelson: Morgan City is maintaining its reputation as the leading offshore fabrication facility in the Americas. Our exclusive three-year contract with BP, which is nearing completion, has seen us fabricate all the topsides for four major deepwater projects in the Gulf of Mexico: Holstein, Mad Dog, Thunder Horse and Atlantis. Currently, there are more than 64,000 tons of facilities for these four projects under fabrication at Morgan City. Our team there is performing extremely well and looking forward to new challenges once the current BP work is completed.

World Energy: How's your financial picture looking?

Kurt Nelson: We've also gotten that straightened out, I'm glad to report. We announced in December the completion of the company's financial restructuring initiative, which includes raising \$200 million in high-yield public debt. One of our major corporate goals last year was to effectively achieve a financial structure that would support our operating subsidiaries on a stand-alone basis, and it feels great to have accomplished what we set out to do.

World Energy: It sounds like J. Ray is ready to rock and roll. Why don't we conclude with your assessment of the outlook for offshore services in the short term.

Kurt Nelson: First of all, it appears that global demand for oil and gas can only increase, so the fundamentals look good. As far as our industry goes, the return to a more balanced sharing of risk with operators is also a good sign. Finally, most of us believe that the larger fields awaiting discovery are in deeper water, and that's just the kind of challenge that gets our attention. It's what we do!

For further information, please contact:

***McDermott International, Inc.
757 North Eldridge Parkway
Houston, TX 77079
United States
Phone: (281) 870-5011
Fax: (281) 870-5095
E-mail: mdrinvestorrelations@mcdermott.com***