



World Energy interviews Frank Culberson, CEO of Rimkus Consulting Group, Inc.

World Energy: How would you describe the services offered by Rimkus Consulting Group, Inc.?

Culberson: We are a Houston-based company that has been in business since 1983. We primarily practice forensic consulting. We have experience across the full oil and gas industry spectrum, from petroleum geology to onshore and offshore drilling and production; gathering, processing, treating and refining; pipelining; the marketing of oil, natural gas and natural gas liquids; and contract administration. We understand technology, supply and demand, equipment, processing, economics, markets and logistics.

Our engineers, scientists and business analysts use proven forensic techniques to probe and analyze construction accidents and disputes; residential and commercial problems; product failures; motor vehicle, industrial and marine accidents; and fires and explosions of all kinds. We analyze these problems and determine what happened, why it happened, who caused it to happen and what can be done about it. We serve primarily the legal profession, insurance companies and corporate clients.

We have become one of the largest firms in our field of business. When I came to this company almost 18 years ago, we had eight people. Now we have about 325 full-time employees in 25 offices in the United States and in three foreign locations. We have about 250 qualified engineers with 18 kinds of engineering degrees, in addition to business analysts and scientists with a wide range of backgrounds.

World Energy: Has this growth been organic or through mergers?

Culberson: Rimkus has grown organically. We are conservative. We've only had one acquisition in all this time, and that was a two-man company in 1989. We don't borrow money to expand. We finance our growth from retained earnings and add a new office when we can afford it. And we've followed that philosophy since our beginning.

World Energy: You have been in the industry for a lot of years. Do you see liquefied natural gas (LNG) as a breakthrough technology that will change the gas market? What kinds of problems should we be looking to avoid based on past implementations of new technologies?

Culberson: I have been involved in energy analysis and forecasting for almost 40 years, following an initial job as a process engineer for six years at Shell Oil and Shell

Chemical. I have witnessed a wide variation between perception and reality concerning the worldwide supply and demand for energy. There have been unexpected and massive changes in prices, consumption and supply sources during the past four decades. This experience certainly tempers any forecast I would make.

I believe, however, that there is a shortfall of natural gas developing in the United States, particularly for home heating and electric power generation – the former to accommodate a growing population and more affluence, and the latter because of environmental considerations and a strong affinity for building power plants that operate on natural gas. Adequate new natural gas supplies do not appear to be readily available from conventional sources in the United States or Canada to meet this growing demand. I therefore believe that LNG will be required in increasing amounts to supply U.S. needs. Recently, there have been announcements concerning a large number of new LNG receiving terminals at U.S. coastal locations. Several should reach completion.

The importation of LNG is not new in the United States, but we have brought in relatively small quantities to date. I do not believe there are major technology questions. I trust that the pending rapid build-up of new facilities will not greatly exceed the demand and create a large supply surplus, whether overall or for specific locations. This would be detrimental to an orderly energy supply and cause wide swings in energy prices. Second, I trust that quality engineering and construction will always be employed to build safe, reliable plants with reasonable efficiency. This is important for acceptance of LNG and favorable public and industry perceptions, as well as reasonable energy supplies to fuel our economy.

World Energy: Why should a company use Rimkus instead of other engineers they regularly call upon for independent engineering work, particularly in the LNG area?

Culberson: I think we have great potential concerning these types of projects. We're already in the business, and we think we're well prepared to do more. We have looked at scheduling projects and things that have gone wrong to cause a facility not to be completed on time and on budget, or to incur a catastrophic failure. And our people have done independent engineering work on many occasions. They have the right background and experience to do it. For the energy area alone, we have more than 40 consultants who have been involved in all phases of energy projects, including LNG and processing of light

hydrocarbon gases. We have people who have performed safety studies and operated, designed, engineered and maintained such plants.

World Energy: What makes Rimkus qualified to act as the lender's independent engineer?

Culberson: First, we know the business. If you look at the disciplines we have and the expertise of our people, we have some of the broadest experience that's available today in this area. Our personnel have participated in energy projects from inception to completion, and from operations to maintenance. We understand costs, technology and economics. We also have learned a lot by investigating problems. We think we can input features and keep clients out of trouble by using that vast experience base we've built analyzing things that have failed in all types of energy projects.

Second, LNG projects are very expensive. They're not overly complicated from a process standpoint, but there are efficiency, equipment and safety questions. A lot of concern exists about bringing a volatile material into ports and cities and the proper handling of this material. There's always a question of how this can be done safely and without delays, cost overruns or process problems. That is Rimkus' focus in such projects.

World Energy: Beyond a lender's engineer, would you also work with the operator or the company hired to build the LNG facility?

Culberson: We would feel just as comfortable working with owners and operators as we would with lenders. We now perform our services for a large number of companies. We don't work for just one side. We work for whoever comes to us and needs the kinds of services we can offer.

World Energy: An LNG facility is a major endeavor by anybody's standards. Will working with Rimkus help bring LNG to market faster?

Culberson: I think it will. If you build good projects, on budget and on time, it will be a positive experience and a stimulant for developing more LNG projects. Also, the completion of several projects should lead to better methods and techniques and the adoption of standards that improve costs, efficiency and safety.

World Energy: Does your staff have the special expertise LNG projects require?

Culberson: We have people with vast LNG and light hydrocarbon experience. Rimkus personnel are well-versed in light hydrocarbon plants employing deep refrigeration, like ethylene plants, and separation of light hydrocarbons. Our personnel have experience in operations, design, engineering, maintenance, technology, equipment problems, economics and safety of such plants, as well as specific LNG experience. Our LNG experience encompasses supply-and-demand studies; LNG production technology and cognizance of recent changes and improvements; logistics and training for workers at an Algerian plant; computer modeling of LNG tanker fleets; assistance in the resolution of a construction dispute for a major cost overrun for the expansion of a vaporization facility; and the evaluation of a business-interruption claim at another vaporization facility that concerned a delay in the installation of a pipeline system to transport the natural gas sent from the facility to market.

World Energy: How is Rimkus on responsiveness?

Culberson: Most of the work we do has to be done under some type of deadline, so we're accustomed



to timely completions. Also, we have redundancy in almost all of our disciplines, so if one person is not available for some reason, someone else can take over. We make every effort to adjust our personnel and work assignments to keep the project rolling. This is our standard approach.

World Energy: Do clients need to have technical expertise to be able to understand your recommendations?

Culberson: Because of the broad spectrum of clients supported by Rimkus, we're used to dealing with people who are not technical, so we ask our people not to use technical jargon and complex language and to make sure the information we provide is understandable. We also like to create graphical presentations of our work, such as illustrations, charts, tables and animations.

World Energy: How would you handle design or EPC contract conflicts that might arise?

Culberson: Since we do not currently do much design engineering, we have fewer conflicts than most companies. That's not to say we're inexperienced – it's just that our experts are now working on problems from a forensic standpoint. Unless we're currently working for a company developing an LNG facility or investigating a problem for that company, we shouldn't have a conflict.

World Energy: So far we've focused mainly on LNG. What expertise does your firm have in the broader energy field?

Culberson: Energy matters usually comprise 20 to 30 percent of the projects we are working on at any given time. We commonly look at questions related to energy projects, including operational, safety and maintenance questions; capital project assessments; damage and repair or replacement decisions; and technology. In terms of a replacement, we determine if the replacement can be made in kind or whether revised technology should be employed. We evaluate property damage, analyze accidents and incidents, determine who's responsible and prepare or evaluate business interruption claims pertaining to all kinds of energy facilities.

World Energy: In addition to LNG, in what areas do you see strong potential for growth?

Culberson: We plan to continue to grow our core forensics business. We live in a society where people want to blame someone else for every bad event, hence the amount and complexity of forensic consulting continues to increase. We believe we have opportunities for growth both geographically and in the breadth of services we offer. This includes the currently viable energy areas.

There is much discussion about reducing the country's dependence on oil and gas. We may be forced into such a strategy because of shortages or high prices for oil and gas. If so, Rimkus plans to broaden its services to analyze problems that occur in energy production from alternative energy forms, such as solar energy; hydrogen fuel cells; development of heavy oil from tar sands, tar belts and shale oil; conversion of coal to oil and gas; energy production from other renewable sources; and similar areas. Our strategy over the longer term is to provide independent engineering services to new energy projects based on such alternative forms. Further, we think that the country may look even more strongly to cleaner direct-coal conversion and even the nuclear option again to supply its energy needs. We are ready to provide services on projects from these basic energy sources.

We are optimistic about our core business and believe there will continue to be opportunities in any energy environment in which we find ourselves.

S. Frank Culberson is president and CEO of Rimkus Consulting Group, Inc. Rimkus has provided forensics consulting services since 1983 in technical, scientific, business and environmental areas to a wide range of clients, nationally and internationally. Headquartered in Houston, Rimkus has 25 offices in the United States and offices in Switzerland, Kuwait and Spain. After joining Rimkus in 1987, Mr. Culberson directed the Energy, Environmental and Graphics Group and was later executive vice president in charge of all marketing activities.

Mr. Culberson has expertise in energy, environmental, business and demonstrative evidence areas. Before joining Rimkus, he spent 20 years in energy consulting at Pace Consultants, where he progressed from a technical consultant to vice president of Energy Analysis and Forecasting, and then to president of the Rocky Mountain Division, managing partner of the firm and later managing director, where he was responsible for all consulting activities as the chief executive.

Early in his career, Mr. Culberson spent six years with Shell Chemical and Shell Oil as a process engineer, involved in engineering, design, technical feasibility studies and operations. He is a registered engineer in Texas, and holds a B.S. in chemical engineering from North Carolina State University and an M.B.A. from the University of Houston. He has testified in energy, business and environmental cases.
