Global challenges await us in year 2100

BUSINESS VIEWPOINT

R. Henry Migliore

I wrote a newspaper column in November 1985 titled "A Look at the Year 2000." Through some combination of genius, research, dumb luck and/or listening to the inner spirit, some of my predictions turned out to be accurate.

At that time, I believed there would be a Gulf War, something big in Europe (which turned out to be the Berlin Wall coming down), and a serious economic collapse, which we are seeing now.

I think this is a good time to look forward to 2100. What will the next 90 years bring?

First, the U.S. still has a lot to learn. China and Russia have existed for thousands of years and have become good at adapting to change. In contrast, the U.S. is only in its 239th year.

Like our nation, China and Russia are in a recession. I have worked as a consultant and visiting professor in those two countries, and my key observation is that people there are bright and have a mind-set to look at the future.

Our North American mind-set, however, is still short-term. Our only thought is to what's just around the corner; we have little apparent interest in the long-term outlook.

This can be seen in the bail-out and stimulus efforts, which I believe are like putting a Band-Aid on a bleeding artery. The automakers, banks and others should be allowed to go bankrupt. For example, I would make the argument that General Motors and Chrysler should have gone bankrupt before the first Bush bailout.

Our economic free enterprise system works perfectly if our government will allow it. Bankruptcy is a natural cleansing of the system.

But our current strategy is to focus on the today's economy, gasoline prices and taxes. They are important, yes, but not especially relevant to the years 2020, 2050 and 2100.

To halt the decline of the United States as a world economic power as those years approach, we should be concentrating on getting back to basics.

President Barack Obama will do his best and be remembered for creating hope. The deck is stacked against him, but he does have a great opportunity to help return the nation to its founding principles and correct our international status.

One goal in that pursuit is the U.S. becoming energy self-sufficient. Why are we buying oil from Iran? So it can use the money to work with Russia in becoming a nuclear power?

Another issue to look at is global warming. In the next couple of decades, the world may discover that global warming is a battle that cannot be won. By 2050, there should be a wake-up call that we need to do whatever is possible to contain the problem and find a solution.

As we move forward toward 2100, our form of government will have to continue making changes to combat more economic downturns and to improve our weak international position.

Many challenges are ahead.

There is a possibility in the next decade that Iraq will be back in civil war. The Russians are correct in their warning about Afghanistan. We should cut our losses in the current Mideast war and have a full exit this year.

Terrorism remains a concern. The Department of Homeland Security has been successful to some extent, but remains handcuffed in some areas.

And, we will be tested again by another severe economic downturn 50 to 60 years from today. The business cycle has repeated itself since the 12th century and will continue to do so.

If we cannot learn to adjust to these and other global changes, we will only become more isolated.

R. Henry Migliore is president of Managing for Success, an international consulting company. He also has held positions at Northeastern State University/Oklahoma State University-Tulsa and the Oral Roberts University School of Business.

The views expressed here are those of the author and not the Tulsa World. To inquire about writing a Business Viewpoint column, e-mail a short outline of the article to Business Editor John Stancavage at john.stancavage@tulsaworld.com. The column should focus on a business trend; the outlook for the city, state or an industry; or a topic of interest in an area of the writer's expertise. Articles should not promote a business or be overly political in nature.

Devon positioned well for future

■ The Oklahoma City-based energy company will reduce drilling in the short term.

BY MURRAY EVANS
Associated Press

A FlexRig drilling unit — a product of Tulsa-based Helmerich & Payne Inc. — operates at a Devon Energy Corp. production site in the Barnett Shale natural gas field of North Texas. Oklahoma City-based Devon held its annual shareholders meeting Wednesday. Courtesy

OKLAHOMA CITY — Devon Energy Corp. CEO Larry Nichols said Wednesday the company is reducing its natural gas drilling in the short-term until gas prices start to rebound.

"We see absolutely no reason to continue to drill at this time and bring natural gas production on at this time, any more than we need to," Nichols said at the company's annual shareholders meeting. "It's better to leave that gas in the ground and sell it next year, or in future years, when we can generate a greater profit for our shareholders."

Devon has reduced its exploration and development budget from $8.5 billion in 2008 to between $3.5 billion and $4.1 billion this year.

Nichols said that 2009 continues to be a challenging year for the industry but that the largest U.S. independent oil and natural gas producer is well-placed to weather the economic downturn.

"While last year was a great year, this year is a tough year," Nichols said, citing a steep decline in oil and natural gas prices during the second half of 2008.

Oil prices have doubled since March with some signs that the worst of the recession may be over. Wednesday on the New York Mercantile Exchange, however, benchmark crude for July delivery tumbled 3.5 percent, or $2.43, to $66.12.

Natural gas for June delivery fell 23.5 cents to $3.885 per 1,000 cubic feet Wednesday after peaking last summer at $13.69 per 1,000 cubic feet.

Nichols said that natural gas prices will take longer to recover than will oil prices because of the current oversupply of natural gas.

At the end of 2008, Devon had 2.4 billion barrels of oil equivalent of proved reserves and an enterprise value of $35 billion. Devon's production increased by 6 percent last year, when it recorded $13.1 billion in oil and gas sales.

For all of 2008, Devon has reported a loss of $2.15 billion, or $4.85 per share, compared with earnings of $3.61 billion, or $8 per share, in 2007. Excluding one-time items, Devon earned $4.4 billion, or $9.91 per share, last year, while revenue rose 33 percent to $15.21 billion.

Nichols said Devon has cash and unused credit lines totaling about $2.7 billion and will have no significant debt maturities until 2011.

"We are really in exceptionally good shape," he said.

Devon, which was started in 1971 and went public in 1988, holds major stakes in two potentially large oil fields in Alberta and the Gulf of Mexico. Devon's Jackfish project in the oil sands in Alberta could potentially yield 100,000 barrels of oil a day "for decades to come," Nichols said.

Devon also is the largest stakeholder in the Barnett Shale, a large natural gas field in North Texas. The company has 4,000 producing wells in the shale and "we've yet to drill a dry hole," he said.

CUTBACK

Larry Nichols: "... Leave that gas in the ground and sell it next year."

"There is no area in North America that Devon would want to be in that we don't already have a position in," he said.

Nichols also said the company is proceeding with its plans to build a 54-story headquarters building in downtown Oklahoma City that would be one of the tallest in the U.S. Construction should begin this fall, with Devon hoping to move in sometime in 2012.

"We're already here in five buildings downtown, and that's a very inefficient way to run a company," he said.

Devon also is funding a $10 million boathouse being built along the Oklahoma River.

During the meeting, shareholders re-elected four company directors — Nichols, Robert L. Howard, Michael M. Kanovsky and J. Todd Mitchell — for two-year terms and ratified the appointment of another director, Robert A. Mosbacher Jr., for a two-year term.

Plans and bills for cell phones have hang-ups

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Dear Action Line: I read the columns about the new credit card law. Is anything in the works on cell phone marketing and overage bills? — A.T., Tulsa

The Seniors Coalition — **tulsaworld.com/SeniorsCoalition** — says, "It's time for cell phone companies and their poor disclosures to U.S. seniors and other consumers to get the same kind of tough going-over that Congress just gave to credit cards."

Aware that Congress was scrutinizing credit card industry practices, the coalition commissioned a survey by Opinion Research Corp. Conducted over a five-day period in March, it polled 1,595 cell-phone users about their understanding of cell phone contracts. Most concerning was the percentage of cell phone users not knowing what the penalty was for canceling their cell phone services before their contracts ran out: 40 percent for all, 60 percent for seniors 65 and older, 46 percent among those 45 to 54, and 49 percent of those 55 to 64.

Early termination: These statistics show why millions of Americans pay more for cell phone service than they should. They worry about being charged penalties for changing services, even though many consumers can benefit by switching to better cell phone deals and paying small penalties for breaking their old cell phone contracts. The cell phone industry has known for years that this uncertainty is a problem but has done little to remedy it.

Unused minutes: Depending on the company, 54 percent say they use fewer minutes than paid for each month, and 70 percent say they go under their minutes each month. This leads to millions of hours and dollars wasted every month, as too many cell phone plans are set up with excessively high-minute levels, and consumer options for plans meeting their needs are limited. This worsens with "unlimited plans" — just another way to charge more by hiding the number of wasted minutes under "all you can eat" plans.

Overages: Another scare tactic is the threat of costly "overage minutes" — up to 50 cents per minute — even though the companies' actual cost for those minutes is a fraction of that. The reason for high overtime charges is simple: to frighten consumers into buying more minutes than they need.

Cell city: The survey found that cell phones are as ubiquitous as credit cards, with 80 percent of adults using them, including 65 percent of those 65 and older. Of adult users, 84 percent have contract-based service and 17 percent prepaid, while some have both types.

Cell simple: The coalition believes cell phone plans and billing need to be more understandable so consumers can judge which plans, with however many included minutes, are best for them. The coalition says the industry has proven that its agenda is to "confuse consumers by making it hard to understand how many minutes they need and use — to make profit at the expense of consumers."

Cell statute: Sen. Jay Rockefeller, D-W.Va., introduced the Cell Phone Consumer Empowerment Act of 2007 — **tulsaworld.com/CellPhoneConsumerAct** — in the 110th Congress, where it went dead.

Submit Action Line questions by calling 699-8888 or by e-mailing phil.mulkins@TulsaWorld.com or by mailing it to Tulsa World Action Line, PO Box 1770, Tulsa OK 74102-1770.

FOREIGN EXCHANGE

The dollar regained some ground against other major currencies after weak economic data reports spurred a flight to safety. U.K. and European central banks will meet on interest rates today.

MAJORS	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
USD per British Pound	1.6276	–.0296	–1.82%	1.4722	1.9658
Canadian Dollar	1.1087	+.0276	+2.49%	1.2605	1.0092
USD per Euro	1.4134	–.0184	–1.30%	1.2655	1.5470
Japanese Yen	95.85	+.19	+.20%	93.09	105.26
Mexican Peso	13.3765	+.2081	+1.56%	13.6455	10.3199
EUROPE/AFRICA/MIDDLE EAST					
Israeli Shekel	3.9670	+.0631	+1.59%	3.9960	3.2873
Norwegian Krone	6.3540	+.1816	+2.86%	7.1259	5.1546
South African Rand	8.1036	+.1423	+1.76%	10.2625	7.7640
Swedish Krona	7.7160	+.2366	+3.07%	8.2372	6.0350
Swiss Franc	1.0713	+.0105	+.98%	1.2141	1.0404
ASIA/PACIFIC					
Australian Dollar	1.2570	+.0404	+3.21%	1.5567	1.0496
Chinese Yuan	6.8319	–.0017	–.02%	6.8763	6.9300
Hong Kong Dollar	7.7523	+.0012	+.02%	7.7515	7.8064
Indian Rupee	47.268	+.458	+.97%	49.948	42.553
Singapore Dollar	1.4462	+.0093	+.64%	1.5268	1.3630
South Korean Won	1242.30	+8.90	+.72%	1459.40	1017.10
Taiwan Dollar	32.49	+.07	+.22%	33.52	30.40

ENERGY FUTURES

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
HEATING OIL (NYMX) 42,000 gal, cents per gal					
Jul 09	173.57	179.95	171.04	173.84	–5.95
Aug 09	181.04	183.00	174.66	177.28	–5.51
Sep 09	184.07	189.00	178.33	180.93	–5.27
Oct 09	187.70	187.70	182.24	184.59	–5.03
Est. sales 66,399. Tue's sales 101,573 Tue's open int. 267,770, +2,444					
LIGHT SWEET CRUDE (NYMX) 1,000 bbl.- dollars per bbl.					
Jul 09	65.97	68.95	64.95	66.12	–2.43
Aug 09	67.03	69.84	65.92	67.09	–2.34
Sep 09	69.90	70.65	66.87	68.02	–2.23
Oct 09	68.85	71.15	67.85	68.86	–2.07
Est. sales 403,808. Tue's sales 527,044 Tue's open int. 1,191,638, +23,472					
NATURAL GAS (NYMX) 10,000 mm btu's, $ per mm btu					
Jul 09	3.765	4.139	3.708	3.766	–.354
Aug 09	3.917	4.278	3.860	3.916	–.342
Sep 09	4.051	4.387	3.979	4.040	–.329
Oct 09	4.220	4.546	4.160	4.218	–.312
Est. sales 135,330. Tue's sales 165,435 Tue's open int. 682,815, -10,271					
NY HARBOR GAS BLEND (NYMX) 42,000 gallons- dollars per gallon					
Jul 09	1.8975	1.9400	1.8591	1.9016	–.0236
Aug 09	1.9260	1.9260	1.8489	1.8910	–.0233
Sep 09	1.8740	1.9054	1.8390	1.8818	–.0236
Oct 09	1.7700	1.7925	1.7356	1.7760	–.0264
Est. sales 50,003. Tue's sales 77,508 Tue's open int. 210,410, +936					

AGRICULTURE FUTURES

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
CORN (CBOT) 5,000 bu minimum- cents per bushel					
Jul 09	435.50	450	430.25	432.50	–17
Sep 09	443	460	440.25	442.50	–17.25
Dec 09	458.25	473.25	452.75	455	–17.75
Mar 10	467.25	483	463.25	465.75	–17.25
Est. sales 257,689. Tue's sales 188,097 Tue's open int. 979,460, +9,413					
COTTON 2 (NYBT) 50,000 lbs.- cents per lb.					
Jul 09	58.70	58.87	55.71	55.84	–2.81
Oct 09	60.93	60.93	58.01	58.01	–2.92
Dec 09	62.52	62.52	59.75	59.93	–2.59
Mar 10	62.00	62.69	61.93	61.93	–2.46
Est. sales 13,866. Tue's sales 15,224 Tue's open int. 135,433, +3,325					
OATS (CBOT) 5,000 bu minimum- cents per bushel					
Jul 09	252.50	260.75	245	255.25	–5.25
Sep 09	261.25	269.25	254	264.50	–5.25
Dec 09	273	280.75	266.50	276.50	–4.50
Mar 10	293.50	293.50	288.50	288.50	–5
Est. sales 2,325. Tue's sales 1,878 Tue's open int. 15,194, -307					
SOYBEAN MEAL (CBOT) 100 tons- dollars per ton					
Jul 09	380.50	388.10	377.20	379.50	–8.00
Aug 09	359.30	367.70	357.40	358.50	–9.30
Sep 09	340.30	349.10	338.90	339.90	–10.40
Oct 09	322.70	330.90	321.60	322.20	–11.90
Est. sales 66,095. Tue's sales 46,401 Tue's open int. 186,059, -418					

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
SOYBEAN OIL (CBOT) 60,000 lbs- cents per lb					
Jul 09	39.24	40.60	39.16	39.25	–1.25
Aug 09	39.43	40.77	39.32	39.42	–1.25
Sep 09	39.61	40.94	39.50	39.59	–1.25
Oct 09	39.89	41.00	39.67	39.76	–1.24
Est. sales 83,209. Tue's sales 61,888 Tue's open int. 237,152, +3,682					
SOYBEANS (CBOT) 5,000 bu minimum- cents per bushel					
Jul 09	1184.75	1212.75	1181	1182	–27
Aug 09	1139.75	1171.50	1135	1137	–32.50
Sep 09	1080.50	1112	1077	1079	–36
Nov 09	1049.25	1084.25	1040	1047	–35.50
Est. sales 174,209. Tue's sales 122,107 Tue's open int. 445,202, -2,614					
WHEAT (CBOT) 5,000 bu minimum- cents per bushel					
Jul 09	617.75	668.50	614.50	617.50	–52
Sep 09	644	695	641.75	645	–51.50
Dec 09	667	720	666	669	–50.50
Mar 10	685.50	731.25	684	685.25	–49.25
Est. sales 168,601. Tue's sales 128,499 Tue's open int. 345,970, +3,733					
WINTER WHEAT (KCBT) 5,000 bu minimum- cents per bushel					
Jul 09	705	706	669	671.75	–47.25
Sep 09	716.50	716.50	679.50	682.25	–47.75
Dec 09	726	730	671.50	698.75	–47.50
Mar 10	730	730	713.50	713.50	–47.50
Est. sales .... Tue's sales 121,292 Tue's open int. 87,022, +2,554					

EXP.	OPEN	HIGH	LOW	SETTLE	CHG
CATTLE (CME) 40,000 lbs.- cents per lb.					
Jun 09	79.60	80.00	79.20	79.50	+.23
Aug 09	80.90	81.20	80.30	80.77	+.12
Oct 09	86.30	86.35	85.55	85.85	–.10
Dec 09	88.17	88.35	87.47	87.75	–.37
Est. sales 8,956. Tue's sales 46,307 Tue's open int. 207,848, +1,937					
FEEDER CATTLE (CME) 50,000 lbs.- cents per lb.					
Aug 09	97.17	97.17	96.00	96.12	–1.05
Sep 09	97.32	97.45	96.30	96.40	–.92
Oct 09	97.75	97.80	96.55	96.85	–.82
Nov 09	97.47	97.60	96.75	96.95	–.70
Est. sales 2,294. Tue's sales 7,335 Tue's open int. 22,414, -925					
HOGS-Lean (CME) 40,000 lbs.- cents per lb.					
Jun 09	58.25	58.57	56.75	57.30	–2.45
Jul 09	61.37	61.47	59.72	60.35	–1.80
Aug 09	62.37	62.90	60.92	62.77	–.28
Oct 09	59.17	60.40	58.40	60.10	+.95
Est. sales 12,677. Tue's sales 38,597 Tue's open int. 140,492, -2,372					
PORK BELLIES (CME) 40,000 lbs.- cents per lb.					
Jul 09	67.90	67.95	65.70	65.95	–2.75
Aug 09	67.70	67.80	66.40	66.40	–2.50
Feb 10	89.15	90.00	89.15	89.50	+.35
Mar 10	89.80	90.40	89.80	90.00	+.25
Est. sales 34. Tue's sales 122 Tue's open int. 826, +19					