Delivering Competitive Wells

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Agenda

• Business environment
• Oil & Gas UK Wells Forum & competitive well delivery
• Achieving Cultural Change in UKCS
• Efficiency Task Force – a wells perspective
• Q&A
The Vision: Halving the rate of decline in the UKCS, ensuring a sustainable future for the basin and sustainable energy supply for the UK

Vision 2035
UK oil and gas industry

Assumed "pre-Wood" baseline projection (7.3 billion boe 2016–2035, total of 8.9 billion boe by 2050)

Vision scenario (extra 3 billion boe above baseline projection by 2035, total of 14.9 billion boe by 2050)
There is £26 Billion investment yet-to-be sanctioned... and potentially much more that we cannot yet see
Fewer producing wells add to the threat of another production collapse towards the end of the decade.

Source: BEIS, Oil & Gas UK
More smaller discoveries go on to be developed in the UK than elsewhere in the world.
The UKCS - the most attractive mature basin in the world... are we making the most of it?

- Competitive fiscal terms
- Progressive regulator/licensing regime
- Improved access to data, technology
- Access to infrastructure/good commercial behaviours
- Collective ambition (collaboration)/MER
- Extensive supply chain
Oil & Gas UK’s Wells Forum & Competitive Well Delivery
Maximizing Economic Recovery (MER) UK Forum

Governance

**MER UK Forum**

- Smaller, focused membership with industry chairs, ministers and officials, and OGUK & OGA leadership, with others invited according to the agenda

**MER UK Steering Group**

- Focus of this group will be to steer the 6 Task Forces, discuss & review key strategic issues such as industrial strategy, collaboration & OGA/Industry interface. The MER UK Steering Group will meet at least twice per year (prior to the MER UK Forum)

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The Regional Development and Infrastructure Board will be disbanded. Work will continue in six core areas with appropriate leadership. It is suggested that nomenclature is changed from ‘Boards’ to ‘Task Forces’ except perhaps in areas with established brands (e.g. Technology Leadership Board)
Where does the Wells Forum fit?

**MER UK Steering Group**

- License to Operate
- Adding Barrels
- Competitive Well Delivery
- Efficiency Task Force
- Asset Stewardship Task Force
- Exploration
- Decomm Task Force
- Technology Leadership Board
- OGTC

Inform
Work with
Addressing the things we can influence

• Leaving rig cost and commodity price aside...
• Significant cost reductions can be achieved through
  – Working better together
  – Sharing knowledge and experience
  – Improved efficiency
  – Use rigs less
  – Broader technology uptake
  – Reducing unplanned overspend
Well scrutiny exercises are reducing costs NOW...

- Networking is key to successful and sustained collaboration
- Teams are energized to revisit designs and explore new ideas
- Cross operator discussion improves confidence in design strategy and
- Referencing other operator experience adds weight to design, and budget, presented for approval

Well cost reduction
10 days saved
The Competitive Well Delivery Staircase is...

a mechanism for **operators to work together with supply chain** to identify ways to enhance basin competitiveness
Representative snapshot of how well we are pulling competitive well delivery levers

• 5 key themes across full well lifecycle
• Captured good practices, savings impact and key challenges remaining
• Potential high value opportunities identified
• No silver bullet!

➢ Areas identified where we can collaborate to get better
Staircase Results – Cost Savings

2016 - 2017

2018 - 2019

Operator 1, Operator 2, Operator 3, Operator 5, Operator 6, Operator 7, Operator 8, Operator 9

% Saved

Forecast % savings

Procurement, Supply Chain & Logistics
Simplifying Design & Minimising Scope
Technical Innovation & Step Change
Corporate Culture & Strategy
Lean Execution & Perfect Performance
A different mindset and approach is needed to unlock opportunities

- Cross industry and company led initiatives have realised significant cost savings - we must find ways maintain this
- We must shift the dynamic to address specific threats to supply chain
- We need to find ways to lower the credible economic threshold on opportunities
- **Focus on where we can influence**
- Create a basin wide strategy for improvement
A commitment to real cultural change will reduce costs and create opportunities throughout the value chain

• Cultural Change Champion will engage with industry to tackle adverse behaviours and embed a new collaborative mind-set...

• Four themes:
  – Leadership
  – Collaborative behaviours
  – Sharing & learning
  – Outcome orientation
Operationalising Cultural Change on the UKCS

- **Leadership**
  - Oil & Gas UK Board Members promote collaboration
  - Create a unifying “goal”; Vision 2035

- **Collaborative behaviours**
  - Self assess, assess each other and share the results
  - Describe good practice for developing Area Plans

- **Sharing & learning;**
  - Contemporary communications channels

- **Outcome orientation**
  - supply chain involvement once Area Plans framed
Efficiency Task Force – a wells perspective
Aim of the ETF..

- ‘To seek, evidence and promote access to efficient practice while maintaining safe operations’.

ETF methodology:
- Draws on fundamental principles of Lean to identify and remove waste and non-value adding activities;
- Adopt a structured approach to Project delivery, progress monitoring & benefits realisation;
- Relies on building relationships with key stakeholders across the Oil and Gas Supply Chain;
- Follows a cycle of ongoing continuous improvement.
2018 Objectives are...

To drive sustainable change, specifically to:

- Contribute towards optimised UOCs to increase global competitiveness
- Improve industry procurement and logistics practices
- **Maximise the impact of existing good practice**
- Promote a culture of collaboration and knowledge sharing
  - ETF Roadshows, joint industry events, Efficiency Champions Network, O&G UK Council ETF Engagement Sessions
- Facilitate alignment of industry efficiency initiatives to maximise impact and avoid duplication
  - Joint ETF roadshows & initiatives
  - Industry initiative steering group representation
Key Focus Areas:

1. **Business Process Improvement:**
   - Compression Systems, Maintenance, Procurement (Tendering Efficiency), Logistics Optimisation

2. **Standardisation/Simplification:**
   - Subsea Design, Installation & Analysis
   - Valves & Engineered Products

3. **Cooperation, Culture & Collaboration:**
   - Industry ‘Efficiency Champions Network’
   - Supply Chain Collaboration Benchmarking & Improvement
   - Case study/knowledge-sharing
   - Industry efficiency initiative alignment (Efficiency Hub)
Efficiency Hub

1. **Read** about industry efficiency initiatives;
2. **Download** good practice guidelines;
   - Tendering Efficiency,
   - Subsea Standardisation;
   - Compression Systems;
   - Maintenance
3. **Search** our library of efficiency case studies;
4. **Share** your efficiency case studies.

oilandgasuk.co.uk/efficiency
Discussion - ETF

ETF:

- How aware are you of the work the ETF does?
- How are the guidelines being used by your company?
- What are the challenges to progressing these ideas?
- Do we need to make the guidelines more wells-specific?
- How do we facilitate using ETF principles?