The cost challenge on the NCS

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Statoil is established

Statoil too big, SDFI takes over half of the assets

Statoil lists on the stock exchange, Petoro is established

Petoro manages the SDFI

Statoil Hydro merger, a milestone

History of SDFI and Petoro
A short lesson in 1 minute

1972
1985
1985-2001
2001
2007
SDFI – large values at stake for the state

Exploration
New field developments
Oil and gas infrastructure
Share in 34 producing fields

Share in 179 licenses per 31.12.13

CAPEX
NOK 33 bn

OPEX
NOK 40 bn

Revenue
NOK 197 Bn

Net Cash Flow
NOK 125 Bn

Turning Petroleum into Oro

International oil companies
Statoil

20 bn boe remaining reserves

The cost challenge on the NCS
A new oil crisis?

Danger

Opportunity
From volume to value, the need for higher efficiency emphasized

- Stronger prioritization of capital – directed by need to improve profitability
- Cutting activity reduces value creation opportunities
- Need for increased efficiency in the value chain
- An opportunity!
Doubling CAPEX is not delivering production growth
Dramatic increase in well costs

- Well costs on fixed installations doubled since 2009
- Well costs on floating units doubled since 2006, levelling off?
- Cost prognosis does not reflect history
Better before - Drilling tasks takes twice as long

Analysis:
Same fields – same wells
1992-95 versus 2008-13
Drilling from surface to top reservoir
Selected, representative routine operations

Source: Petoro
Radical approach is required to meet the reserve ambitions on mature fields: 6 fields – 10 fixed installations
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Future fields are dominated by smaller reserves – well costs critical for profitability

Example: Field X (oil, one template w/ 4 wells)

Cost split, subsea development:
- Drilling and completion: 49%
- Subsea systems: 21%
- Pipeline and marine operations: 16%
- Topside modifications: 9%
- Project management: 5%

Discoveries (per February 2014) in addition to: Johan Sverdrup (315 million Sm³ o.e) + Johan Castberg (86 million Sm³)

Approx. 3 mill Sm³ oil: smallest profitable development w/ four well template
Only long term focus and radical initiatives will deliver radical improvement – «several more stones to turn»...

New areas/ presently less focus:

- Contract incentives to drive efficiency
- One team – operator and supplier equal partners
- New technology to drive efficiency
- Faster technology deployment
Seize the opportunity and involve yourself

- Deliver quality, every time - will build trust
- Be proactive – not reactive
- Dare to challenge the established thinking and to make mistakes
- You and your new ideas are an important part of the solution
Change through co-operation –
a long history on NCS

- HSE
- Business driven technology development and fast implementation
- Industry appointed committees and initiatives – NORSOK
- Government appointed committees and initiatives - white papers
- Field specific change processes on the NCS