

PILOT Focuses on Maximising Recovery

At an Awayday in March PILOT grouped the following activities under **Maximizing Recovery: Exploration, Undeveloped Discoveries and Brownfields**. Work is continuing on these areas:

Exploration – For Unproven Plays

Work is underway between DTI and UKOOA exploration managers to identify and drill exploration targets that have the potential to prove up commercial fields in geological horizons not currently seen as attractive or as too high risk. Technical work is well underway and work is now starting to look at the commercial and legal framework needed to move forward to activity. DTI is also involved to see where the licensing regime might be of help in delivering activity. Six projects are currently under review.

Promote Licence

The DTI is investigating introducing a “promote” licence that will give specialist geoscience companies an interest in a licence in return for them applying their skills to identify drilling targets and promoting these to oil companies with the capacity to drill them. DTI will consult on the programme framework over the next couple of months.

Fallow Blocks and Discoveries

This PPWG initiative is now at the detailed company-by-company field-by-field discussion stage. It is expected that the first batch of some 40 class B assets (fallow discoveries) will be exposed to the market via LIFT in September with further batches released every three months.

Good progress has been made on Fallow Discoveries but less so on Fallow Blocks due to DTI’s work on the 20th Licensing Round. It was noted that there has been

an encouraging response from new entrants keen to invest in the UK.

Brownfields

A second phase of the Brownfields initiative is planned. A more detailed Benchmarking study has been proposed to the industry via LOGIC. It is intended that the results of this second study, in combination with other work to identify best practice in the commercial and organisational approach to Brownfields, will be formed into a Benchmarking template that will enable Operators and others to compare their performance to best practice. DTI has now joined this group.

The group are currently discussing funding and it is hoped that agreement will soon be reached to allow work to start on the benchmarking study.

Data Storage and Release

This PPWG initiative has generated a data storage, release and archiving model that would ease access, promote added value products and potentially reduce costs. The model incorporates a number of commercially driven licensed data repositories. The costs of establishing and running the model are substantial and the potential longer term cost benefits are yet to be fully assessed. The group will move ahead with a study to establish these costs and benefits with a view to making a recommendation in September.



Rob Mills of Talisman meets the Duke of Edinburgh at an Aberdeen industry exhibition to celebrate the Queen's Jubilee in Duthie Park, Aberdeen

UK-Norway Co-operation Workgroup Nears Report



- A range of potential value creation issues/barriers have been identified and are now being worked up into the final recommendations.
- A number of case studies have been established to illustrate barriers and develop potential solutions in conjunction with the governments.

The case studies are listed below:

- New cross-border field development,
- Re-development "facilities optimisation",
- Large gas transportation and processing,
- Cross-border logistics,
- Regional power and telecom cable network,
- Safety trading day and lateral learning (a specific proposal is that the UK "Step Change for Safety" group and the Norwegian "Working Together for Safety" group conduct a fatality review and continue liaison on lessons learned).

The final report will be considered at the September PILOT and KON-KRAFT meetings and implementation steps agreed.

The Workgroup has been active since January 2002 and the UK and Norwegian Energy Ministers, Brian Wilson and Einar Steensneas, will announce its recommendations in a joint statement at ONS on 28th August.

Progress Update:

- Four work group meetings have taken place. A key Work Group meeting took place on 21 June where 32 draft recommendations were developed.
- There is wide industry participation in the Transportation & Infrastructure and Operational Synergies themes. Joint UK and Norwegian sessions have been held.
- A survey of the contracting industry has been conducted by the Mutual Open Market Access theme group in Norway and the UK.
- A liaison activity matrix on a PILOT / KONKRAFT theme has been established and is being pursued.

Progressing Partnership Makes Progress



Good progress has been made since the launching of the Progressing Partnership Report in March.

The operators work-group has taken part in two successful workshops, one organised by Progressing Partnership, the other held independently by Cameron McKenna, involving more than 120 delegates and covering all elements of the Code of Practice.

Final agreements of the pro-formas for a Joint Operating Agreement and for a Sale and Purchase Agreement have been completed and these agreements can now be found on the UKOOA website at www.oilandgas.org.uk

The Supply Chain work-group is making progress on encouraging sign-up to the supply chain code of practice with 65 companies signed up to date and further effort will be devoted to improving on this number. The group also ran the first industry Share Fair in Aberdeen on 18th April. A highly successful event which, after setting a target of 300 delegates, saw more than 500 attendees hear Operators talk about their plans for further exploration and development activity on the UKCS. The next event will be held in November 2002.

DTI Restructuring and the Energy Review

As part of the DTI re-structuring programme, the decision was made to retain the Energy Group as a single unit and that a review of the structure and focus of the group should be undertaken. The new structure is formally launched from 1 August. The primary focus of the Energy Group review has been the need for a greater strategic view on Energy Policy and improved customer focus.

There will be 5 units:

Strategy Unit

Responsible for the Energy White Paper and co-ordinating inter-government policy on the PIU focal areas of Security of Supply,

Low Carbon Policy, Competitiveness Policy and Social Policy

Energy Markets Unit

Responsible for UK and international market policy, analysis and understanding of the electricity, coal, oil and gas markets

Innovation and Business Unit

Dealing with all energy sector industry competitiveness and business support activities

Licensing and Consents Unit

Responsible for the management of all energy sector licences and consents. Further work is underway on turning this

unit into a Licensing and Consents Agency and stakeholders will be consulted again in due course.

Nuclear and Coal Liabilities Unit

Management of all aspects of Nuclear and coal liabilities, including the White Paper to establish the Liabilities Management Authority

Most upstream oil and gas issues of direct interest to PILOT would be handled by the Innovation Business Unit and/or the Licensing and Consents Unit. These units would liaise closely and would, initially, share a single Head. Both would be represented on PILOT.

PILOT Task Force Members

Government Members

Brian Wilson

Minister for Energy & Construction, DTI

Lewis Macdonald

Deputy Minister for Enterprise, Transport & Lifelong Learning, Scottish Executive

Anne McGuire

Parliamentary Under Secretary of State, Scotland Office

Jon Cunliffe

Managing Director, Finance, Regulation and Industry, HM Treasury

Graeme Dickson

Under Secretary, Economic and Industrial Affairs, Scottish Executive

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Director, Oil & Gas, DTI

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Nick Starling

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Iain Todd

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Industry Members

Tom Botts

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Mike Straughen

Chief Operating Officer, AMEC Oil, Gas & Petrochemicals

Mel Fitzgerald

Country Vice President - UK, Halliburton Energy Services Group

Alan Wiggett

Managing Director, Summit North Sea Oil Ltd

Dennis Clark

Chairman, SLP Engineering

Danny Carrigan

Scottish Regional Secretary, AMICUS

Fabrication Support

The UK offshore fabrication sector has undergone very significant change in recent years, driven principally by the changing nature of projects in the sector. From a position in 1999 where there were 10 companies, 13 yards and over 7,300 employed, the equivalent figures in 2002 are 8 companies, 8 yards and approximately 3,000 employed. (Numbers employed are however expected to rise to nearly 4,000, once Clair, Goldeneye and Bonga begin to get into full swing by the end of the year.)

Government activity

From 1999 to 2002, the DTI and other agencies have carried out a number of activities to assist the changes faced by the sector. These include:

- Promoting UK opportunities
- Supporting overseas opportunities (Trade Partners UK)
- Encouraging diversification
- Promoting regional investment schemes
- Supporting re-training
- Sharing best practices – Fabrication Support Group (FSG)
- Industry network and newsletter – FABNET
- October seminar: FSG and FABNET

Further Government Activity

The DTI will continue its activities in the sector, which will include the following:

- Continuing detailed study of the Clair project, with full support of BP.
- Further understanding of Norwegian competitiveness on jacket construction through a report by independent

consultants. Recommendations will be published in due course. It was suggested that decommissioning should be included in this review as well as other diversification opportunities.

- A review of market opportunities for Nigg dry dock, with HIE in lead, addressing the potential for new work on defence and LNG projects.

PILOT welcomed the actions dedicated to supporting the fabrication sector.

Minister to Speak to Fabricators

The Energy Minister, Brian Wilson, will address members of the Fabrication Community at a sector “summit” on 25th October. Representatives from fabrication companies will meet with DTI and other public sector officials to consider the way forward for the industry, looking at themes such as diversification and foreign markets.

Key Contacts

Name

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www.oil-itf.com
www.oilandgas.org.uk
www.oca-online.co.uk
www.iadc.org
www.imca-int.com
www.wsca.co.uk
www.the-eic.com

Jargon Buster

LOGIC:
LIFT:
DEAL:
ITF:
PPWG:

Leading Oil and Gas Industry Competitiveness
Licence Information for Trading
Digital Energy Atlas and Library
The Industry Technology Facilitator
Progressing Partnership Work Group

PILOT Website

Apologies to those who have had a less than satisfactory performance from the PILOT website of late. We have been suffering technical problems that appear, at present, to be insurmountable.

Work has begun on creating a replacement and will be completed as soon as is possible. You can, however, still view the pilot website at www.pilottaskforce.co.uk