

**Economic Advisory Group Meeting
at
Petro-Canada, 1 London Bridge, London
at 10.30 am on Friday 2 December 2005**

Present:			
Ray Hall (Chair)	BP	Jane Sterling	ILT
Norman Selley	Amerada Hess	Mike Straughen	ILT
Fernando Esteve	BG Group	Jo Wakeman	HMT
Kevin Malone	ChevronTexaco	Simon Gell	Nippon Oil
Alistair Morrison	ConocoPhillips	Richard Wilson	OGIA
Mattias Bjornfors	DTI	Nicholas Briggs	Perenco
Mike Earp	DTI	Roger Burrows	PetroCanada
Peter Haile	DTI	Jeroen van Dillewijn	Shell
Simon Toole	DTI	Xavier Ecomard	Total
Oliver Wells	ExxonMobil	Mike Tholen	UKOOA
Steve Nicholson	Halliburton	Prof Alex Kemp	Univ. of Aberdeen
James Meadway	HMRC	Nigel Essex	WHAM Energy
Norman Smith	Ind. Consultant		

Roger Burrows welcomed members to Petro-Canada's new offices and explained safety arrangements.

Item		ACTION
1	UKCS Exploration Update (EAG/22/05)	
	<p>Richard Wilson updated the meeting on the OGIA's concern to keep Exploration on PILOT's focus. Much had been done in recent years to encourage new companies to compete in the UKCS. The industry's emphasis was to seek further improvements in process. If exploration success declined, there was concern that the recent upturn in Exploration & Appraisal activity would be short-lived.</p> <p>One of the major factors holding back the level of exploration appeared to be rig availability and their high cost caused by competition from other regions. During discussion it was re-emphasised that a high level of E&A activity was important because, with a limited window of opportunity to use the ageing infrastructure in the UKCS, and the rapidly rising unit costs as production declines, remaining small prospects are likely to become increasingly uneconomic, which will impact the total ultimate recovery from the UKCS and the economic benefits therefrom.</p>	
2	DTI Exploration Update (EAG/23/05)	
	Mike Earp reported on recent projections of the wide range of UKCS oil and gas reserves recoverable at different assumed probabilities of success. If 5% chance of success is assumed, the central estimate of recoverable reserves is 9.5 billion BOEs of which	

	<p>6.3 billion BOEs are expected to underlie the North and Irish Seas. These figures were consistent with currently projected activity levels and production from new discoveries.</p> <p>Simon Toole reported that 24 of the 54 21st Round of Promote licences had been carried forward, indicating a good level of interest in UKCS prospects among a diverse range of players, in spite of the recent high rig rates. Peter Haile suggested that more success in drilling of larger stratigraphic plays would help achieve the projected reserves.</p> <p>It was agreed that PILOT should be updated with a joint industry/DTI presentation.</p>	RW, ST RH, MT, ME
3	Heavy Oil Potential in the UK (EAG/24/05)	
	Rhodri Thomas presented slides summarising recent work by Wood Mackenzie on heavy (10 to 20 deg. API) oil opportunities in the UKCS. New technology, innovative developments, improvements in drilling long reach wells were factors likely to enhance opportunities for heavy oil, but there is little refining capacity in the UK for such oil and significant discounts to Brent crude prices are likely.	
4	UKOOA Taking the Long Term View	
	<p>Mike Tholen reported that UKOOA had recently prepared a paper on prospects for the UKCS entitled 'Taking the Long Term View' which is available on the UKOOA website: http://www.oilandgas.org.uk/issues/economic/Economicupdatepresentation.pdf</p>	
5	Gas Markets Update (EAG/25/05)	
	Mike Tholen reviewed recent activity in the gas market. It appears that the UK is importing gas somewhat ahead of schedule. It was noted that the Rough Storage facility has been providing gas to the Grid and that a new storage facility at Humbly Grove is commencing operations. Ilex have noted that when gas is cheap there is little demand for storage, but when gas is expensive few want to pay for stored gas. It is the major industrial consumers who are most exposed to current high spot prices.	
6	Stewardship (EAG/26/05)	
	Simon Toole reported on this year's work on PILOT's Stewardship initiative, which was intended to encourage thorough economic depletion of existing fields. The Stewardship task force had surveyed 224 producing assets and had identified 34 fields which appeared to be at risk of under-recovery. The majority of these will be subject to the second stage of the survey involving discussions over work programmes with the operator and joint-venture partners. It is also expected that next year's review will look at the next 10 percent of producing assets.	
7	Conversion Factors and Production Forecasts (EAG/27/05)	
	Mike Earp presented an update on conversion factors for oil, gas and	

	NGLs. Using updated estimates, he presented DTI's latest projections of UKCS production. Total hydrocarbon production in 2010 is now projected to be 2.8 million boepd, somewhat short of PILOT's target of 3.0 million boepd.	
8	AOB	
	None.	
9	Date of next meeting	
	To be advised.	