

Ziff Energy Group's International Newsletter



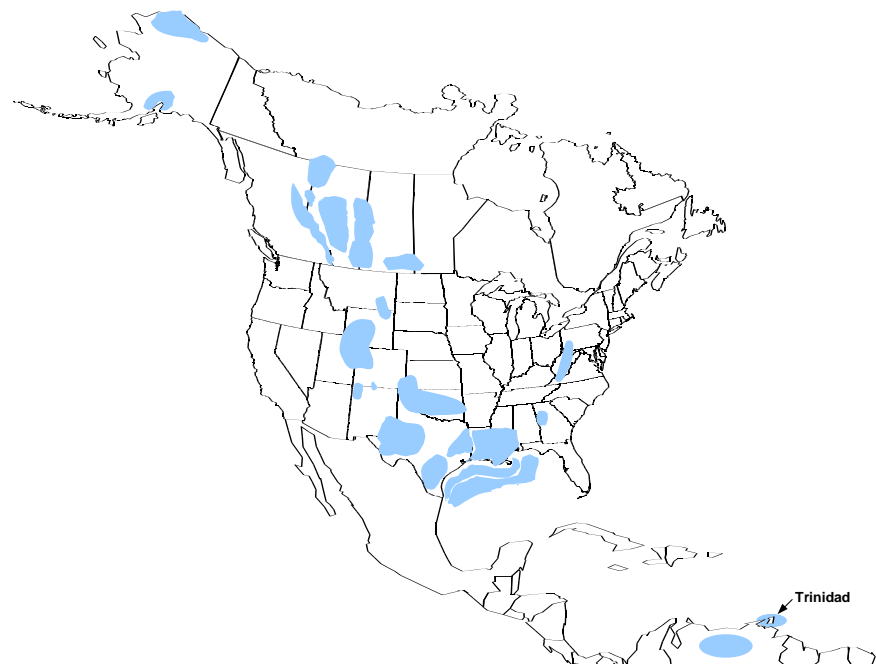
International Operators Are You Really a Low Cost Operator? Do You Want to Improve Performance?

Seven years ago, Ziff Energy Group embarked on a benchmarking project titled “**Reducing Field Operating Costs/Best Practices**” (RFOC) to assist operators reduce their operating costs by building a detailed database of *field level* operating costs. Now the *world's largest* database represents total operating cost spending exceeding \$6 billion annually, from over 100 E&P companies. Additionally, with the evolution of this project, a *database of leading operating practices* by region has also been developed by our team of senior operations engineers. Benchmarked fields range from Shelf gas and Deepwater oil production in the Gulf of Mexico to low productivity shallow gas and heavy oil in Canada. The entire database includes data on nearly 2,000 fields --- roughly 1,500 are onshore while 450+ are offshore, including 80% of the total Deepwater production in the Gulf of Mexico.

By utilizing this database, either by participating in regional/focused multi-client operating cost benchmarking studies, or by comparing your field's performance directly against similar fields in the database, you can receive information to measure and benchmark individual field performance. You can identify high cost line-items on Lease Operating Expense statements by comparing your results to similar fields from other operators. Once the gaps have been identified, leading regional Operating Practices are shared to help improve your operations.

International operators, please be aware that you now have access to a *very powerful tool* to help manage your business.

Americas Operating Cost Areas: 1,500+ Onshore Fields and 450+ Offshore Fields



Volume 14, Issue 2

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Ziff Energy Expands RFOC Process to Southeast Asia

Ziff Energy Group (ZEG) was recently retained by Santa Fe Energy Resources Indonesia and its partners, Amerada Hess and Kerr McGee, to review overall operating costs in the Jabung Production Sharing Contract (PSC) located in South Sumatra. Their field operating costs will be compared to similar type fields in Indonesia, as well as with similar fields from Ziff Energy's North American database. ZEG will conduct its typical RFOC analysis of operating costs, as well as an analysis of their G&A head office costs.



ZEG personnel tour field operations at Marine terminal in Jabung PSC. (left to right: Randy Schultz of Ziff Energy, Lukas Mitakva, Hugh Rosmus, and Adrie Manorek of Santa Fe)

Operations in Indonesia range from onshore oil and gas operations in the swampy jungles of Sumatra to offshore operations in 300+ feet of water in the Natuna Sea. Operators face a wide spectrum of challenges related to conducting remote operations.

Ziff Energy personnel travelled to Indonesia in January to meet the operators and discuss the scope of work. Steve Turk, VP of E&P Services and Randy Schultz, Project Manager, met with Santa Fe and Partners in Jakarta, Indonesia to finalize the scope of the project. The ZEG proposal was accepted in January and the work is currently underway, with project completion set for late May. To add value to the project, James Trickett, a Senior Associate and veteran of several Indonesia

assignments, accompanied Project Manager Randy Schultz on a second trip to Indonesia in March. They spent 3 weeks collecting data through both field visits and working with Jakarta based office administration and finance departments. During this visit, they also obtained data from several other operators with similar operations in Indonesia.



ZEG, Santa Fe & Amerada Hess personnel meet to finalize study proposal. (seated, left to right: Robert Cragg, Larry Leavell, Steve Turk, Rufus Estis) (standing, left to right: Joe Stein, Michael Hughes, and Russ Bills)

During the trips to Indonesia, ZEG representatives met with other operating companies to introduce Ziff Energy Group and to gauge the level of interest in a multi-client Indonesian or Asia/Pacific Operating Cost and Best Practices benchmarking study, patterned after the North American RFOC/Best Practices studies. Response was excellent. A mid-year kick-off of an Indonesian multi-client RFOC study is now planned.



Santa Fe's Jabung PSC and other Major Producing Areas of Indonesia

International RFOC Projects: Caribbean & Latin America

Ziff Energy Group (ZEG) continues its international initiatives with projects in the Caribbean and Latin American regions. Following the successful completion of a Reducing Field Operating Cost/Best Practices (RFOC) study, carried out for a major multinational operating in offshore Trinidad last year, ZEG has been retained by the *state oil company* of Trinidad and Tobago, *Petrotrin*, to assist in reducing its operating costs. ZEG will evaluate all Trinidad assets, both onshore and offshore, for Petrotrin and its affiliate Trinmar Ltd. The study got underway in late February and has generated a tremendous amount of excitement and enthusiasm at all levels within both companies.



Ziff Energy Group's Adrian Goodisman (left) and Hank Kelly (right) meet with the Energy Minister of Trinidad and Tobago, Mr. Finbar Gangar.

Through this study, high cost line items on operating expense statements for the onshore fields will be identified by comparing them to similar North American onshore fields. The offshore fields will have the benefit of being benchmarked against similar fields in the Gulf of Mexico. ZEG's proprietary North American onshore and Gulf of Mexico data bases contain detailed operating cost information on 1,500 onshore fields and 450+ offshore fields, which will provide very good comparisons for this study. After the gaps have been identified, leading North American operating practices will be shared with the local operations teams to help improve their operations. To provide greater value to the client, ZEG hired Leary Hosein, who is a native of Trinidad, and received his B.Sc. (honors) in Petroleum Engineering from the University of The West Indies, Trinidad and his M.Sc. from the University of Calgary, Canada. Following an accomplished career as a Petroleum/Reservoir Engineer in the Trinidad oil industry,

Leary also worked in Venezuela for Baker Hughes for several years, and will lead the upcoming International heavy oil study.

ZEG views this opportunity to work for the state oil company, *Petrotrin*, as a first step in establishing a long term relationship with the National Oil and Gas Company, and in the region. The Trinidad gas industry is rapidly developing into a world provider of energy, through LNG delivered to North America and Europe.



Hart's Energy Markets Recognizes Paul Ziff as one of 100 Most Influential People in Gas and Electricity ("Century of Power")

To recognize the new Millennium, Hart Publications, the largest publisher of energy media in the US, embarked on a project to honor "the true innovators, inventors, and creative minds in the gas and power industries". A North American Advisory Panel adjudicated. Paul was recognized in the category of Information Technology and *Research*, for "controversial predictions, well thought-out and critically analyzed contrarian views". Since 1982, Ziff Energy Group has become *Canada's largest energy consulting firm*, and the *leader in upstream performance studies*, having undertaken 60 studies, from the Deepwater Gulf of Mexico and most onshore US basins, to Western Canada, and Prudhoe Bay. In response to client requests, this business line is now engaged in several international projects.

For more information on "Century of Power", contact Linda Rader, Editor, *Hart's Energy Markets* (713) 840-0923 (lrader@phillips.com).

Gulf of Mexico Deepwater Operating Costs and Subsea Best Practices

Adrian Goodisman, Senior Vice President, E & P Services, will be presenting a paper in Rio de Janeiro as part of the **Rio Oil & Gas Expo and Conference 2000** to be held **October 16-19**. The paper is entitled: "Gulf of Mexico Deepwater – Operating Costs and Subsea Operations Best Practices".

The annual Rio Oil & Gas Expo and Conference is sponsored by the Instituto Brasileiro de Petroleo (IBP) and is the major industry forum in Brazil. There is an increasingly high level of international interest in Brazil's upstream potential as demonstrated by the brisk bidding in early 1999 when the first offshore deepwater concessions were opened to foreign company participation. The industry is impressed with the success that Petrobras, the national oil company, has achieved in the last quarter century, especially in deepwater E&P. Petrobras, the world's 17th largest oil producer, produces over 1.1 MMBbl per day: 565 MBbl per day (50%) from the Deepwater (> 400m); 355 MBbl per day (30%) from the Shelf, and 210 MBbl per day (20%) onshore.

For the last 3 years, the Houston office of Ziff Energy Group has undertaken annual studies of the Deepwater Gulf of Mexico, involving 18 Deepwater operators and 45 fields, about 80% of U.S. Deepwater production. In 1999, **Halliburton Subsea Systems** participated as Technology Advisor for the Best Practices section, which focused on Subsea Operations. In the 2000 study, **Schlumberger Oil Field Service's Reservoir Management Group** is acting as Technology Advisor, pairing with senior Ziff Energy Group engineering staff to investigate the best operating practices for Well Intervention Servicing.



Subsea Development - British-Borneo - Courtesy of J. Ray McDermott, Inc.

The Deepwater study is available for participation by any E&P company with a qualifying asset. For more information, please contact Richard Tucker, VP, Marketing, or Tim Powell, Deepwater Project Manager, at the Houston office.

International Heavy Oil Study

In Eastern Venezuela, Ziff Energy Group has been working with a large multi-national E&P company to pinpoint areas of improvement in their field operating cost structure. These Venezuelan operations are being compared to approximately 50 assets in the Ziff Energy database that produce similar quality oil. The broad base of the Ziff Energy database allows filtering of comparable assets based upon water production, operating depth, and other criteria. Once the gaps in operating cost categories have been identified, the Best Practices section of the Ziff Energy database will be used to select operating practices from the peer assets that can assist the client in reducing its costs and/or increasing production volumes.

Based upon client requests, and in conjunction with this foray into Venezuela, Ziff Energy Group will be commencing an **International Heavy Oil RFOC/Best Practices Study** in the **3rd quarter of 2000**.

Ziff Energy has been conducting a Heavy Oil RFOC study in Canada for 5 years and now has a database that contains over 60 fields that produce in excess of 170 MBbl/d of 12^o to 25^o API gravity oil. In conjunction with the **Trinidad** and eastern Venezuela assets currently being reviewed and the use of the existing multi-year Canadian Heavy Oil cost database, the new study will also include the Orinoco Belt in eastern **Venezuela**, heavy oil in and surrounding Lake Maracaibo in western Venezuela, and heavy oil production in **California**, whose operators are recognized as leaders in enhanced oil recovery. The Best Practices section of the study will focus on operating practices of participants that have successfully maintained or lowered operating costs in their price-sensitive heavy oil producing operations.

For more information, contact Richard Tucker, VP Marketing (Houston), or Gordon Clarke and Leary Hosein (Calgary).

CEO to Speak in Brisbane, Australia at APPEA 2000



APPEA, the Australian Petroleum Production and Exploration Association Limited, holds its annual conference each spring at a different Australian city. This year, with all the summer Olympics preparations in Sydney, Brisbane, further up the East Coast, was selected. Brisbane is on the Gold Coast, so named for its string of spectacular beaches.

In the 1980's, when several Canadian companies were active in Australia, and Home Oil made the prolific (but short-lived) Blina discovery in Western Australia, Paul Ziff made his first trip of 3 to the Australian oil patch. Similar to the U.S., the oil industry offices were split among the main cities, most of which he visited. In recent years, as discoveries and developments have proliferated on the North West Shelf and adjoining basins, Perth has become the Houston of Australia, as a number of companies have moved their offices from the East to the West.

On Wednesday, May 10th, the last day of the 4-day conference, Paul will speak on the concept and practice of benchmarking operating costs at the field level, based on Ziff Energy Group's North American and international experience. He is looking forward to both renewing acquaintances from the '80's and making new acquaintances in the Australian oil patch.

Paul Ziff Named to Consort UK's Advisory Council



Lord Colin Moynihan, former UK Energy Minister and Chairman of Consort Resources Limited, recently named Paul Ziff, CEO, to Consort's Advisory Council. Consort is a niche market UK North Sea gas company, bringing together expertise in upstream acquisitions, gas operations and marketing in the UK and Europe. Consort has already made several acquisitions in the South North Sea, acquiring a base of unrealized investment opportunities currently untapped in the UK markets.

The Advisory Board members were chosen based on their individual successes, reputation, and high level of experience in the oil and gas industry. The role of the Board is to provide an in-house base of experience on technical, strategic and policy issues. The Board ensures business plan compliance, as well as providing a safeguard to North American shareholders that their investment is well managed.

Other Advisory Council members include: Liz Airey; Chris Fay; Patrick Heren; The Rt. Hon. Michael Howard, QC MP; Dr. David Jenkins; Michael Meehan; Sir Richard Morris; Jack Windham, and John J. Veatch Jr.



16th World Petroleum Congress June 11-15, 2000 • Calgary, Alberta, Canada

The 16th World Petroleum Congress will be held **June 11-15 in Calgary**. By mid April (7 weeks to go), confirmed attendance has surpassed 1,800, with over 3,000 anticipated, at least half from outside North America, from 70 countries. This five day, non-stop, meticulously planned global business strategy event has a couple dozen outstanding keynote speakers including:

- the Secretary-General, OPEC
- Sir John Browne, BP Amoco
- Jeroen van der Veer, Group Mgg. Director, RD/Shell
- Peter Bijur, CEO, Texaco
- Dick Cheney, CEO, Halliburton
- Rogelio Montemayer, Director General, Pemex
- Victor Chernomyrdin, Chairman, Gazprom.

While the majority of the forum speakers are international delegates, the congress has accepted Adrian Goodisman, Sr. VP and Gordon Clarke, Sr. Associate who will present their original paper entitled "Utilizing Benchmarks To Add Value To Field Operations" on Tuesday morning. Further, Dr. Tom Woods, Vice President, Gas Research will present at the Poster session on Tuesday afternoon, sharing his expert knowledge on "Uses of Resource Estimates".

As a sponsor of the 16th World Petroleum Congress, Ziff Energy Group has encouraged our many international and U.S. clients to participate in this unique 5 day event. Our staff are very actively involved: for example Bill Gwozd, Manager Gas Services is the Advisor to Chairman of the New Interactive Technology Session (assisting with managing 60 international poster presentations). Both Paul Ziff, CEO and Susan Hamilton, Sr. VP will open their homes to many delegates for Home Hospitality Night for an enjoyable evening of conversation and a taste of Canadian cuisine (a third of the delegates plan to attend this function on Tuesday evening, June 13). Ziff Energy Group co-hosted congress receptions in Houston with Halliburton and BP Amoco to introduce Jim Gray, 16th World Petroleum Congress Chair, and has issued many international and U.S. invitations to senior E&P executives.

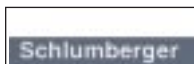
As well, a number of Ziff Energy Group team members from Calgary and Houston are registered as delegates. We look forward to meeting you or your colleagues!

For more information, contact Bill Gwozd at (403) 234-4299, email bgwozd@ziffenergy.com, or the 16th World Petroleum Congress at (403) 218-2000, email cdn.assoc@wpc2000.com.

Thank You to our Technical Advisors

Ziff Energy Group would like to recognize and thank our Technical Advisors:

- **Booz-Allen & Hamilton Inc.** - Procurement Practices Advisor for the Permian Basin 3rd Edition Reducing Field Operating Costs/Best Practices Study
- **Collarini Engineering Inc.** - Reservoir Engineering Advisor for Economic Analysis in the Gulf of Mexico (Shelf/Slope) and Finding & Development Cost Study
- **Halliburton** - Technology Advisor for Subsea Operating Practices in the Deepwater 2nd Edition RFOC Study
- **Hanover Compressor Company** - Compression Advisor for the U.S. Rockies Conventional Gas RFOC Study
- **Schlumberger Inc.** - Technology Advisor for: Technology Applications in the Gulf of Mexico (Shelf/Slope) Finding and Development Cost Study; and Well Intervention/Service best practices in the Deepwater and Shelf 3rd Edition RFOC Studies.
- **Sproule Associates Limited** - Reservoir Engineering Advisor for Economic Analysis in the 13th Edition of the Canadian Finding & Development Cost Study.



Ziff Energy Group is a leading consultant to the energy industry. Ziff Energy Group has also become the leader in comprehensive benchmarking studies, which measure upstream performance within the oil and gas sector for more than 100 E&P companies from the Deepwater Gulf of Mexico, through the Lower 48 and Canada, to Alaska. The Company is also known for its expertise in developing *natural gas strategies* for various sectors of the industry and for its depth of knowledge in areas such as supply, pipeline issues and regulatory matters.

Established in 1982 in Calgary, Alberta, Ziff opened its U.S. office in 1997 in Houston, Texas to better serve its growing U.S. client base. Now more than 25 highly qualified individuals in each office are available to consult on a variety of issues to a wide range of clients.

Request For Information

Please check the appropriate box and return to Ziff Energy Group, or call us:

Please send me details on:

- All Studies and Services provided by Ziff Energy Group
- E & P Benchmarking Studies and Services
- International U.S. E & P Canadian E & P
- Custom Consulting Services
- Natural Gas Consulting Services
- Merger and Acquisition (M&A) Advisory Services

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