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ZIFF ENERGY LAUNCHES 1ST INTERNATIONAL FPSO OPERATIONS STUDY TO ASSIST OPERATORS ENHANCE OPERATING EFFICIENCY

HOUSTON, May 5, 2009 – Ziff Energy Group (ZEG), a long established and leading upstream energy niche consulting firm, with offices in Houston and Calgary, announces the launch of its 1st **International FPSO Operations Efficiency** study, evaluating uptime reliability and operating costs for FPSOs in various regions of the world. FPSOs are a principal method for International oil production for areas where no refinery is located nearby (in contrast to Offshore Platforms for Shelf-depth offshore waters around the world, and floating Deepwater Structures which connect to fixed pipelines, such as in the US Gulf of Mexico and Brazil). The world ‘nameplate’ capacity for FPSOs is an impressive 15 million Bbl/d, although the actual throughput is less, with depletion in field production over time.

Moored offshore, the **FPSO** (which stands for ‘Floating, Producing, Storage, Offloading’) gathers offshore oil production, from Platforms or Sub-Sea wells, for fields in either Shelf or Deepwater water depth, and then holds the crude oil for loading onto tankers for delivery to refineries for processing. Some FPSOs are ‘purpose-built’ (esp. in the harsh North Sea environment), while many FPSOs are converted oil tankers. The first FPSO was Shell’s Castellon, dating back to 1977, 3 decades ago. Like other production systems, there is a wide variety of FPSOs --- some of the major variances are capacity (e.g. from as small as 15-40 MBbl/d to as large as 200M+ Bbl/d); vintage (several decades old to new); and complexity of processing (amount of water, degree of liquids stripping, natural gas). As usual, Ziff Energy will be grouping the FPSOs into ‘like Groups’ of comparable assets.

Slightly under 200 FPSOs operate worldwide, and are widely dispersed --- the largest centers are Asia (about 50, especially CNOOC - 20, Australia 15, Indonesia, Vietnam), the North Sea (30+), Brazil (40), and West Africa (30, mainly Nigeria & Angola). Among production systems employed internationally, FPSO’s have perhaps the greatest degree of similarity, as they are all marine operations, regardless of which coast they are deployed in. Ziff Energy has assessed FPSO’s operating in a number of countries in Asia and Brazil in the last 2 years.

For many years, there have been two types of ownership and operation --- sometimes FPSOs are owned by the producer, however often a Contract Operator is responsible (e.g. Bluewater, Modec, SBM). As well, there are 3 main forms of contract (as well as combinations):

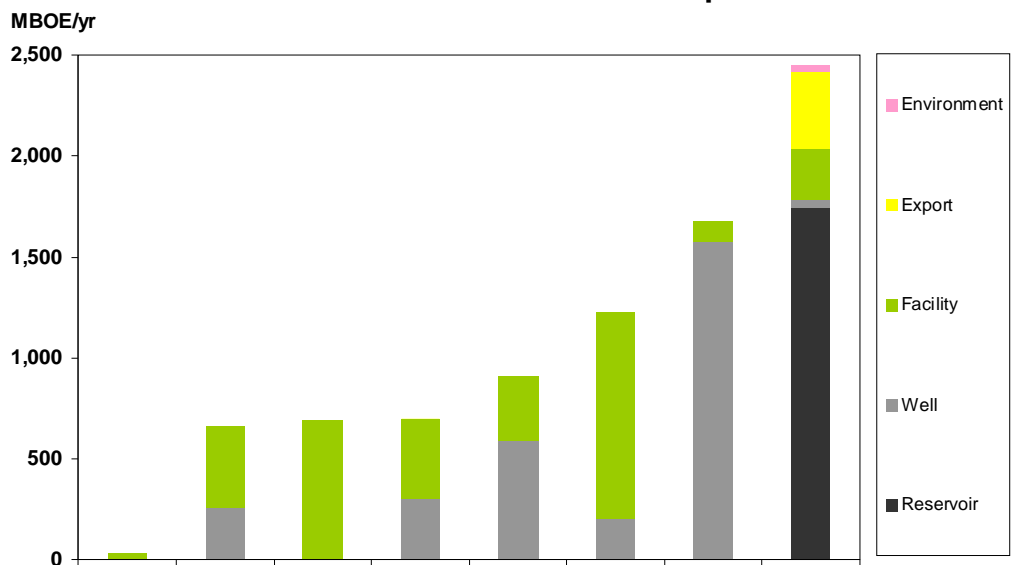
- Owned & Operated: the oil company buys a vessel, and then operates and maintains it (similar to other upstream operations)
- Wet Lease: a producer pays a vessel operator/owner a fee to provide FPSO services
- Bareboat Charter: an oil company has a contract operator develop a vessel to their specifications, and pays a lease fee, however the oil company is responsible to operate and maintain the vessel.

The purpose of the study is to help Operators, both producers and Contract Operator, enhance efficiency, to help them cope with the impact of the dramatic price decline on cash flow, and counter the effects of **rapid production decline**, which have a big impact on unit operating costs. Regardless of type of contract, all FPSOs will be comparable on the same basis for Uptime Reliability, and total cost.

In the last 15 years, Ziff Energy has delivered a series of 12 multi-client marine operations (7 Deepwater Studies, 5 Shelf Operations), a major multi-client study in Asia Pacific in 2007-8 covering 7 countries (Australia, China, Indonesia, Malaysia, Thailand, and Vietnam); plus custom projects for offshore Brazil (2008), Trinidad & Tobago, and India.

This study will focus on **Production Uptime Reliability and Operating Efficiency in 2008**, with metrics that were first developed as part of Ziff Energy’s 6th Offshore Deepwater study, completed in 2007, and enhanced with input from our Super-Major clients. These new metrics include the value of lost production, the mean time between incidents (MTBI) and the mean time to recover (MTTR). In the Deepwater study, the value of the unplanned deferment far exceeded the total OpEx of the participants! Uptime is a prime driver of upstream ‘value add’. Ziff Energy will identify **“best in class” production uptime targets** and will help validate the value associated with specific investments in improved reliability.

Deferred Volumes & Causes - Unplanned



Key members of Ziff's Offshore team include David Richmond, former Offshore Installation Manager for a Major, with an extensive background knowledge in all aspects of Offshore Operations including FSO and FPSO, from wells to market; and Tom Gray, Ziff Energy's Offshore Operations specialist, who joined Ziff Energy after a long and impressive career at a Major where he served last as Director, Gulf of Mexico Deepwater Operations.

Participants will receive confidential, blinded, asset-level cost comparisons versus comparable assets, as well as detailed *cost driver analysis*. "Study participants receive a detailed *diagnostic report on each asset*, compared on a 'like kind' basis with peer assets and identifying potential savings in each cost category." Historically, Ziff Energy's studies have helped Operators in 20+ countries pinpoint areas to achieve significant savings on operating costs. After the study is completed, Ziff Energy meets with each client regarding areas for future action plans to assist them achieve these efficiency savings, as well as for best practices to gain production.

Ziff Energy is a **leading benchmarking** firm, focused in **operating costs and practices for the Gulf of Mexico, and around the world** in 2 dozen countries. Our offshore operations database includes 600 Shelf fields worldwide and 50+ Deepwater assets. Last year, Ziff Energy established a **Center for Benchmarking Excellence** in Calgary, staffed with full-time experienced engineers to ensure the highest quality and efficiency in conducting benchmarking analysis.

For more information about the FPSO study, or to discuss participation, please contact or e-mail:

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Ziff Energy, a leading technical niche consulting firm, focuses on upstream oil and gas operating performance and natural gas industry issues. Since 1982, the firm has conducted over 160+ multi-client studies analyzing upstream and E&P performance for Operators in over 20 countries worldwide, on 5 continents.

