



Planning For Improved Production & Performance: Key Learnings From The Oil & Gas Industry

June 2019



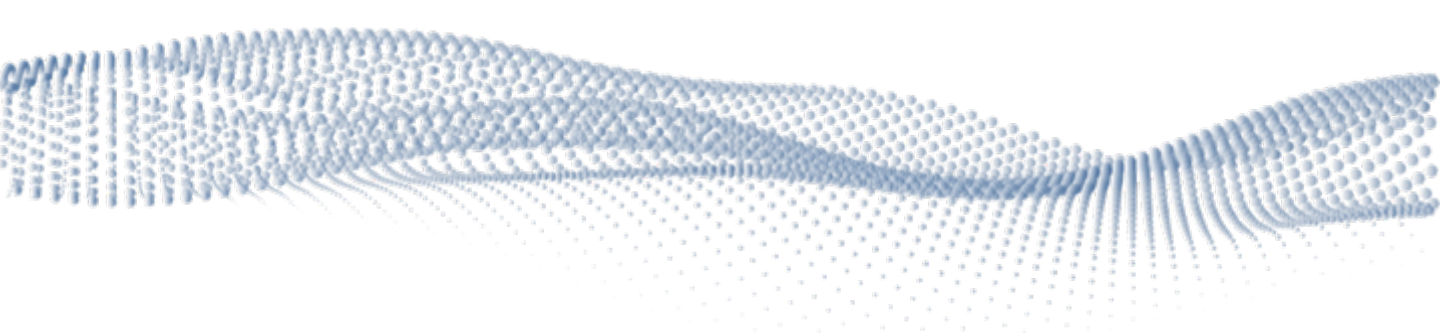


About Kelmic

Kelmic Consulting helps organizations capture opportunities and dramatically improve their operations.

Helping our clients improve their operations since 2002

We partner with our clients to drive bottom-line impact by addressing and dramatically improving efficiencies in People, Processes, and Property. Our exceptional people draw upon more than 100 years of combined experience to bring you the right perspectives and expertise to help you tackle complex challenges and realize your strategic ambitions.





Background

About the Client

- Leading North American oil and natural gas producer
- Enterprise Value of over US \$50 billion
- 6,500 North American Employees
- Largest holder of on-shore oil and gas land in North America
- Non-conventional resource plays in deep gas, shallow gas, coal bed methane, oil sands, and heavy oil

“This business unit had reported capital project costs exceeding budget by more than 50% for the preceding two years...”

This North American leading producer of oil and gas identified a need to improve the effectiveness of both their long and mid-term planning and prioritizing processes, their short-term scheduling of capital projects and resources, and their attainment of Key Performance Indicators across their Canadian business units.

Initially work focused on the newest business unit operating in northern Alberta and BC across 448,000 net acres and with a potential 140 mmcfe/d production rate. This business unit had reported capital project costs exceeding budget by more than 50% for the preceding two years, with little or no warning given to upper management.

Despite excessive capital costs, production was not meeting expected targets and returns on capital were lagging corporate objectives.

The business unit possessed no uniform process or scheduling and planning mechanisms to manage 60-80 capital projects annually; at an average of \$2 - \$5 million per project.

The business unit lacked any effective project management systems. This resulted in ineffective planning and scheduling of projects and poor allocation and utilization of available key resources such as drilling and completion rigs.

Projects consistently ran over budget, with adjustments made to expected final costs only after completion of the work.

Budgets for upcoming projects were based on rough estimates that were often highly inaccurate and with no uniform methodology in place for attaining these.

Project scheduling did not account for resource constraints, driving late stage schedule and scope changes due to lack of availability of these resources.

Roles and responsibilities within the business unit were not clearly defined between functional groups. As a result, projects were driven with no single point of responsibility or accountability.

The business unit lacked focus and goals and objectives were not clearly defined.

Implemented Solution

Kelmic designed and implemented a Well Ranking Database to determine feasibility of potential wells based on development costs and production capabilities.

The engagement also entailed the creation of a revised master template of well development functions to improve scheduling and resource balancing .

A web portal to allow functional groups to update activities was also introduced, enabling the project coordinator to move toward an analysis & management role.

In addition, Kelmic proposed a hierarchal meeting & reporting structure driving adherence to schedule and budget with a corrective action focus.

An automated, web-based dashboard providing timely vision to high level KPIs was designed and delivered to help management track performance.

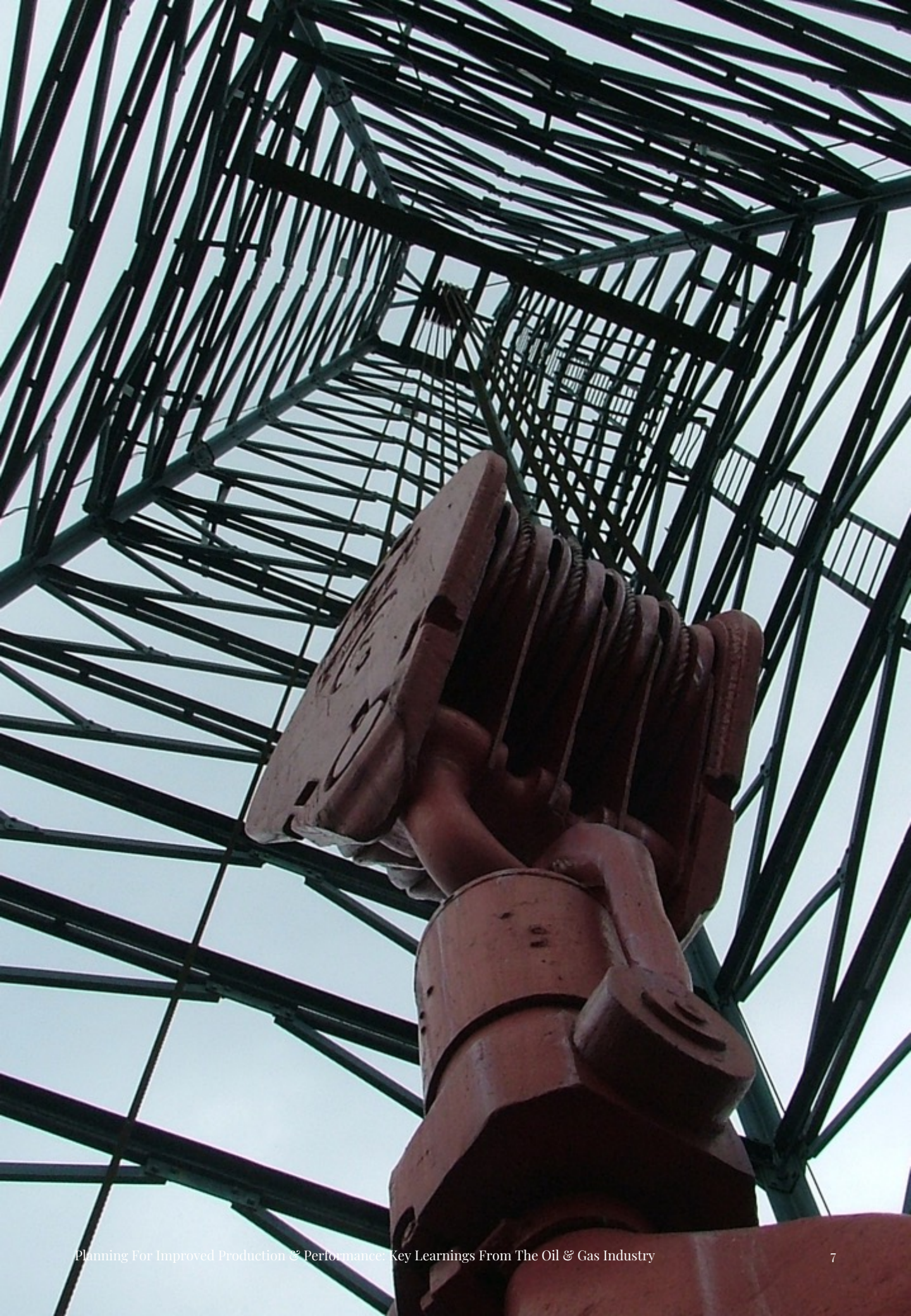
Kelmic engaged with key stakeholders to determine firm cut-off dates used to lock-down and prevent unnecessary late stage schedule and scope changes.

To drive proactive tracking of committed and incurred costs and adjustment of project budget projections, Kelmic proposed and delivered a cost management system that was also implemented as part of the engagement.

To improve organizational effectiveness, Kelmic worked closely with the Client's upper management and key stakeholders to develop clearly defined roles and responsibilities for management, engineering and functional groups.

Improvement in production efficiency

5%



Key Results Achieved

- Vastly improved visibility of project success, costs and schedules
- 5% improvement in production efficiency through improved well target selection
- Sizeable cost reductions through reduced late-stage changes and improved resource utilization
- Project rolled out to other business units and processes adopted as standard
- Project ROI > 8:1 within 12 months

ROI

8:1

3-5%

Improvement in
production efficiency

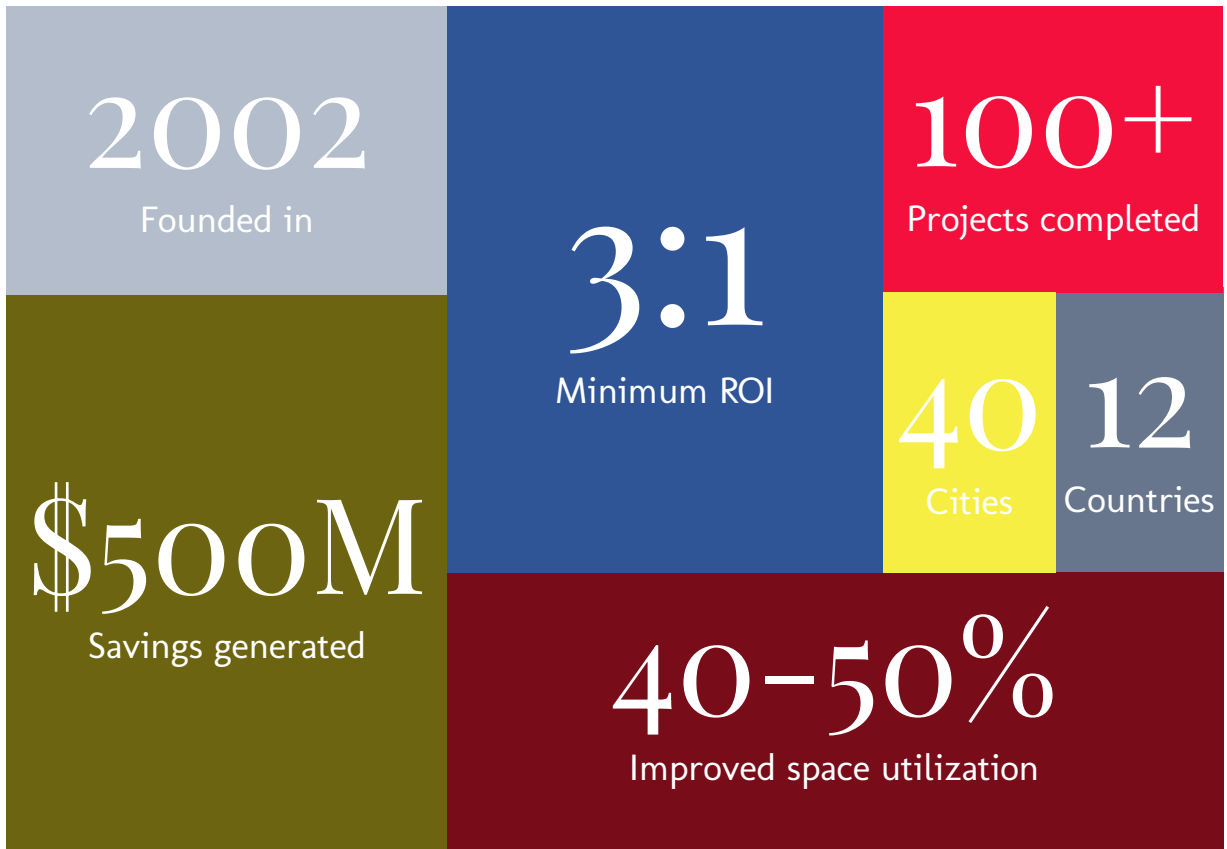
Improved

Control

Improved

Accountability

Kelmic at a Glance





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