THE FUTURE OF FIELD "QC" CONSULTANCY

How do we ensure the current set-up is sustainable?

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Contents

'…raising standards in the energy industry'

ieco

INTERNATIONAL ENERGY CONSULTANTS ORGANISATION

- History
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Where did it all begin?

- First organised "QC" company formed in 1972 - ECL
- Formerly direct hire
- Soon after Southern Geophysical
- 1973 OSI
- Mid 1970s Surcon
- Seismic focus
- Freelance consultants

The era of broadening consultancy

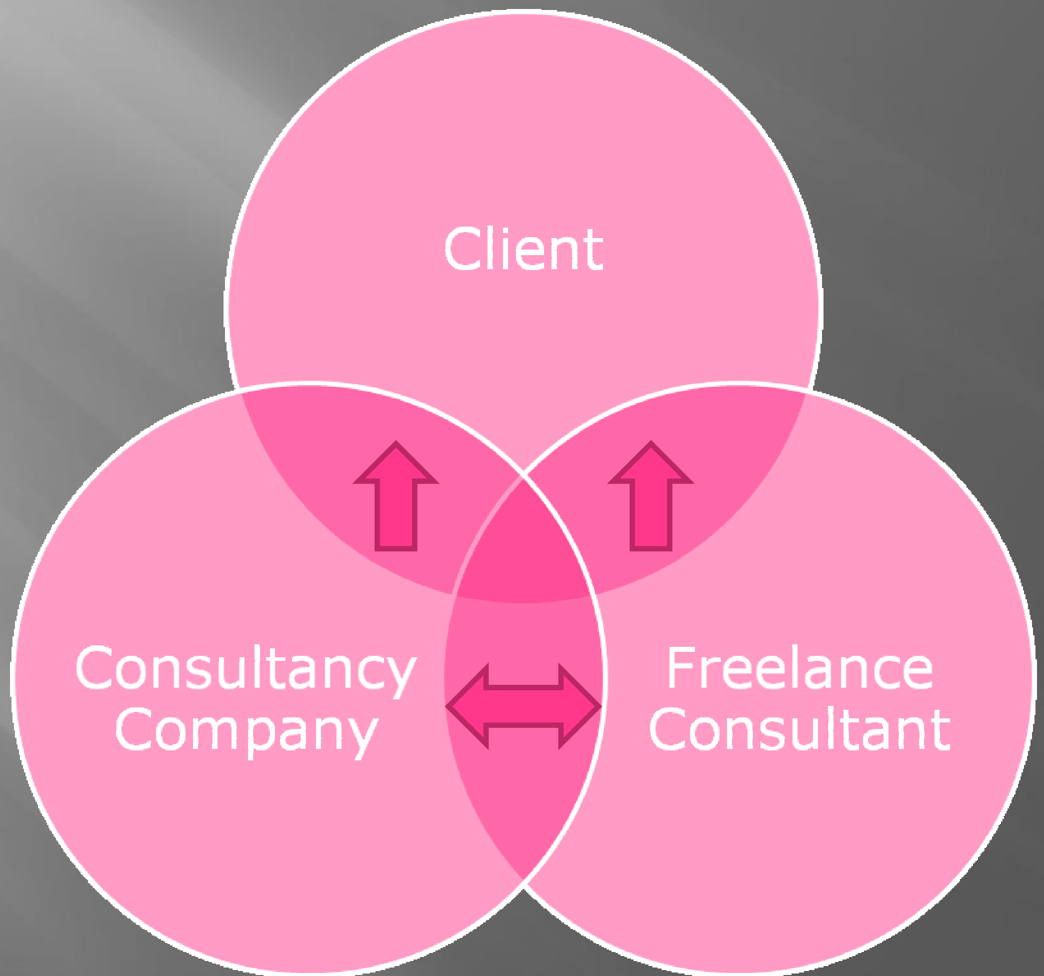
- 1979 Hydrosearch
- Oceanfix formed around the same time
- Plethora of companies formed in 1980s and early 1990s
- Broad range of services
- Wide-spread fragmentation

Consolidation and emergence

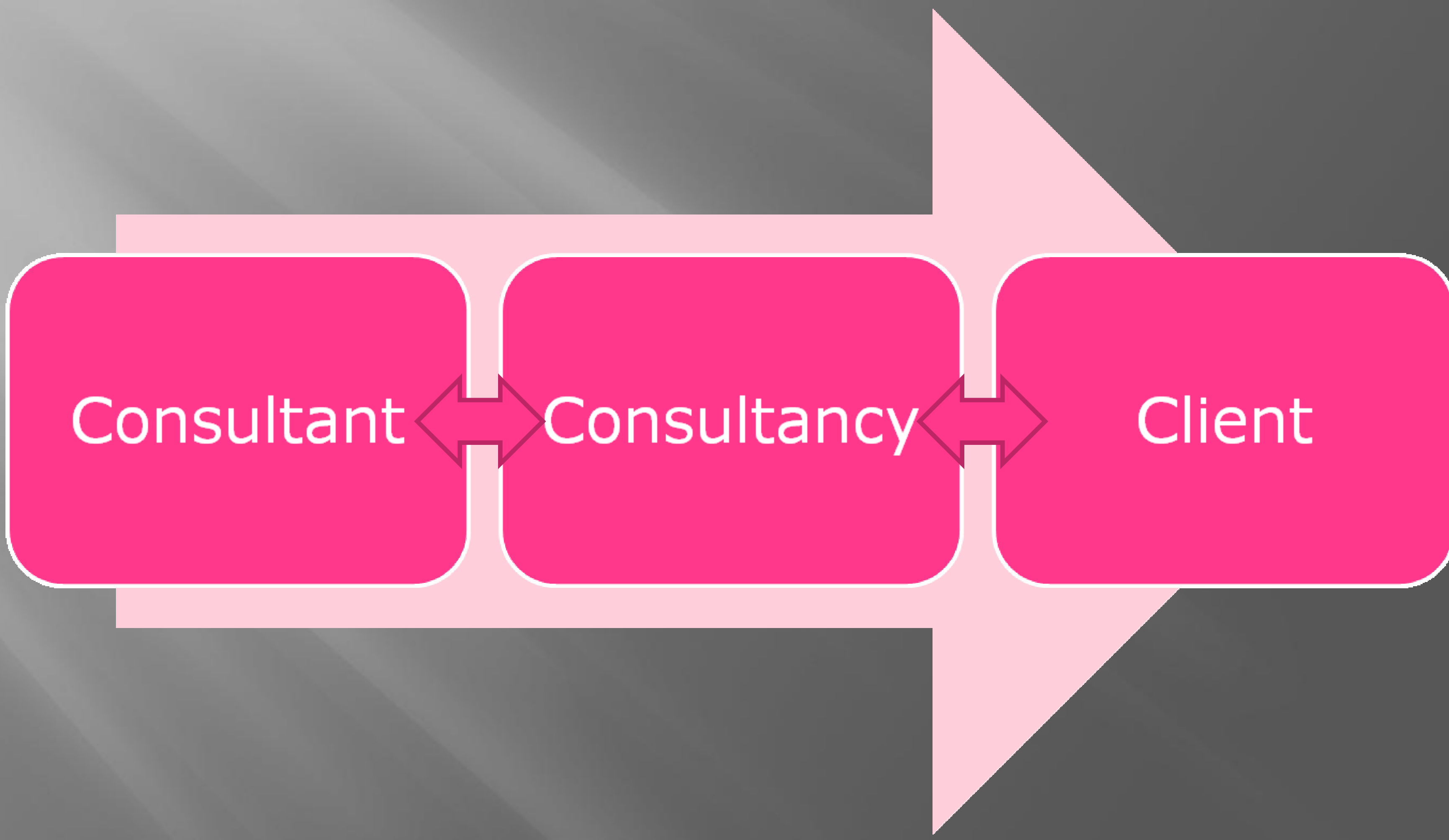
- End of 20^{th} century saw many changes in the oil and gas sector:
  - Client consolidation
  - More formal contractual relationships
  - Increased fiscal, contractual, logistical and immigration requirements placed on consultancies – increased liabilities
  - Focus on HSE
  - Move towards larger clients requiring small number of contracts with consultancies with broader range of services
- ECL acquires EI and Houston Geoscan
- RPS acquires Hydrosearch leading to significant consolidation
- Emergence of many new consultancies

Current Business Model

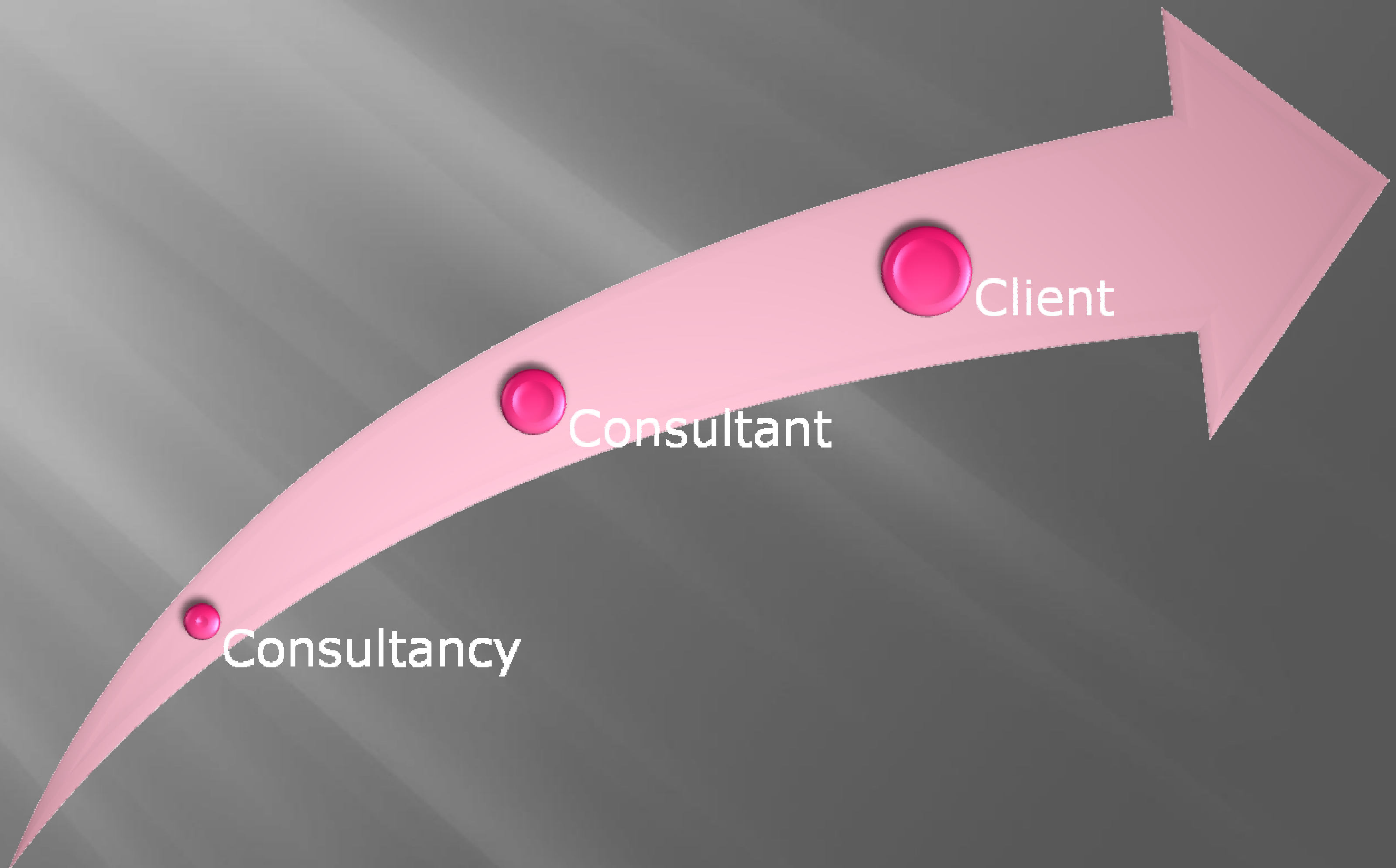
Business model (field operations)



Contractual relationships



Common relationships in practice



The good and the bad

Positives:

- Flexibility
- Low risk for consultancy and client
- It has generally worked satisfactorily to date
- Suits all three parties (?)

Negatives:

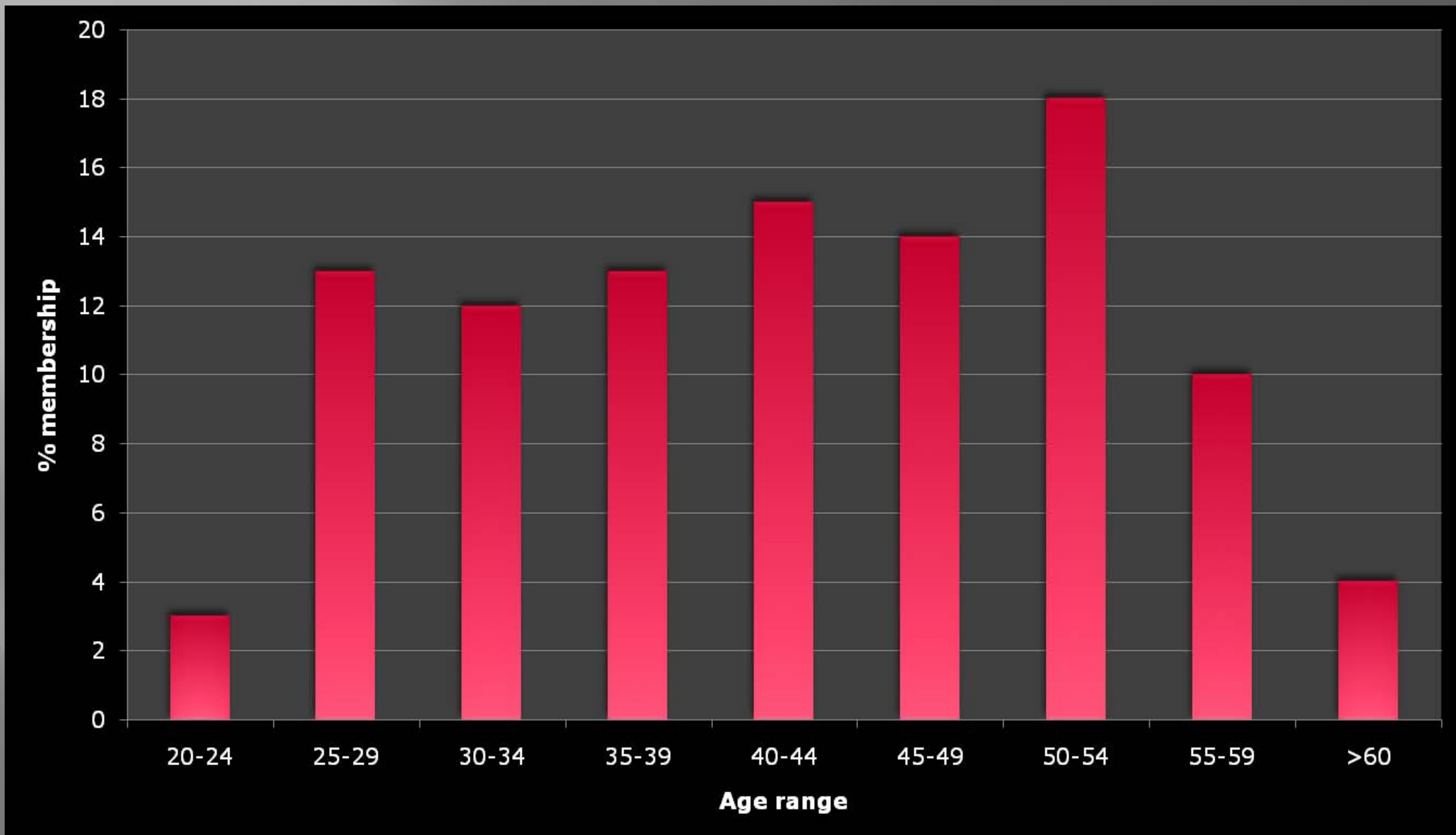
- Potential for contractual conflicts
- Training and development
- Commitment & loyalty
- Who “employs” the consultant?

The Demographics

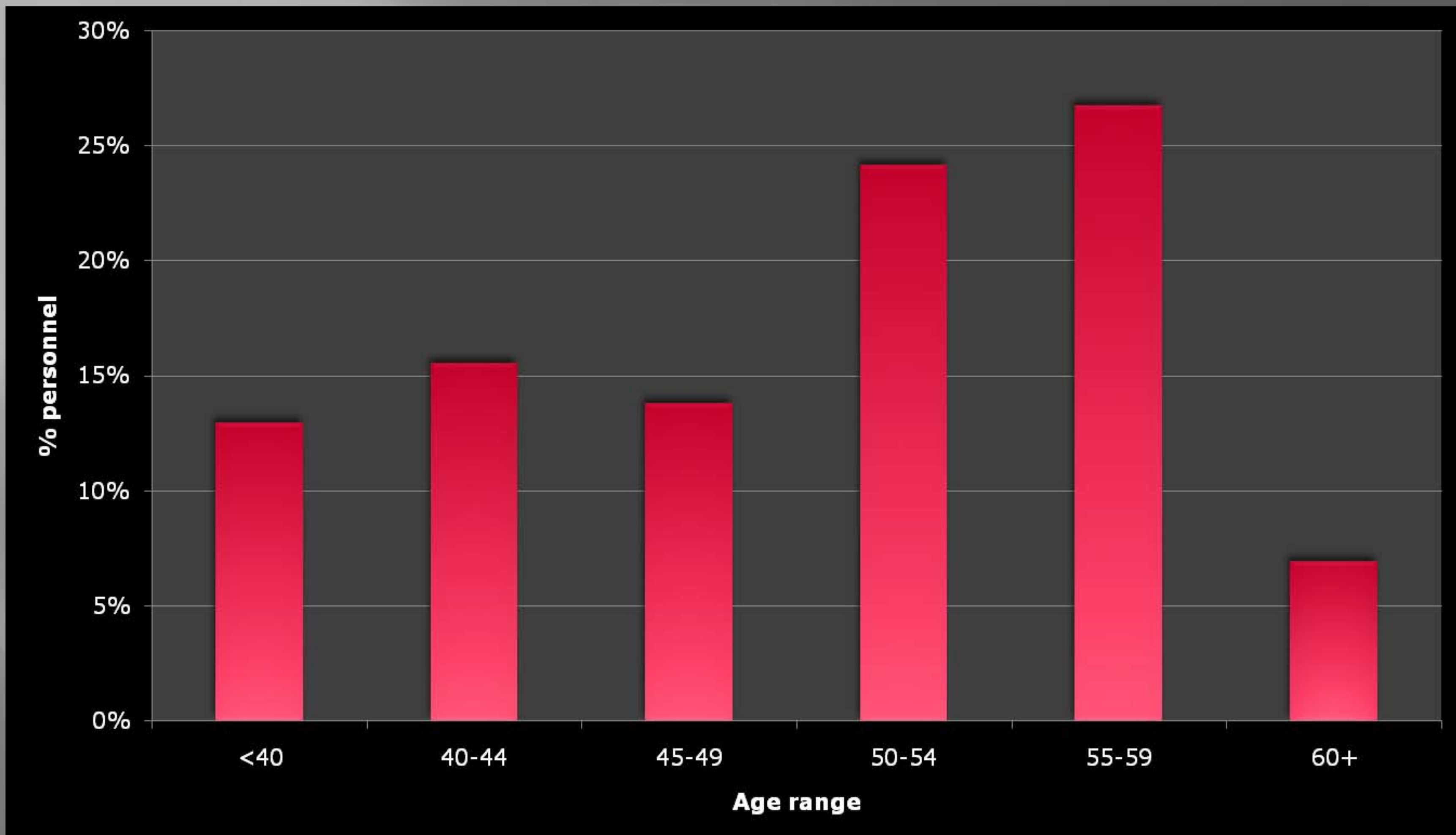
The demographic void

- Previous presentation by Andrea and Edward illustrates the current scale of the problem – first industry-wide consultancy study
- PESGB salary survey
- Andy Hill of BP - March 2000 - paper entitled Exploration Industry Demographics
- Little has happened to stem the decline - indeed it has got worse!
- More acute in certain parts of our industry than others

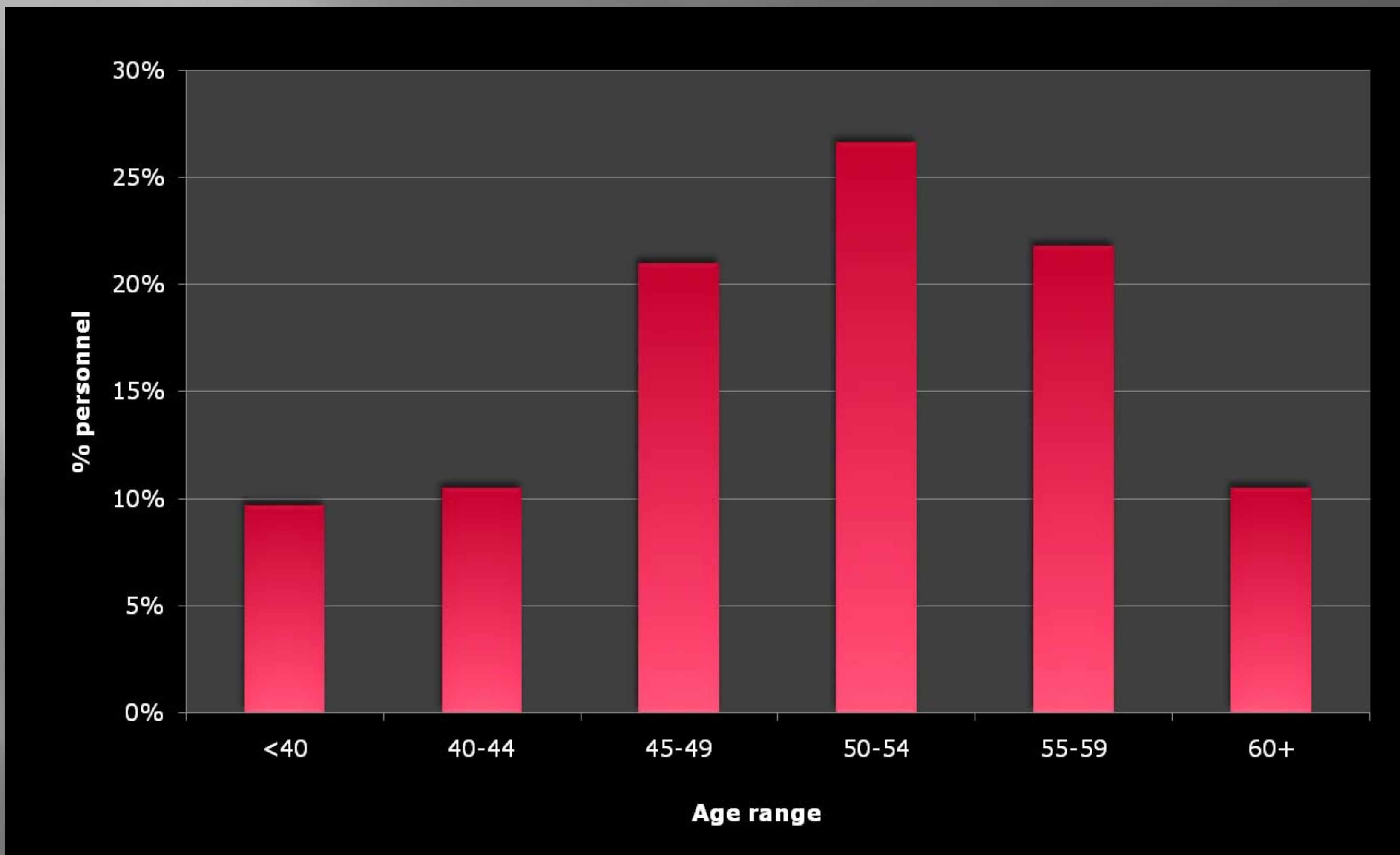
PESGB Membership



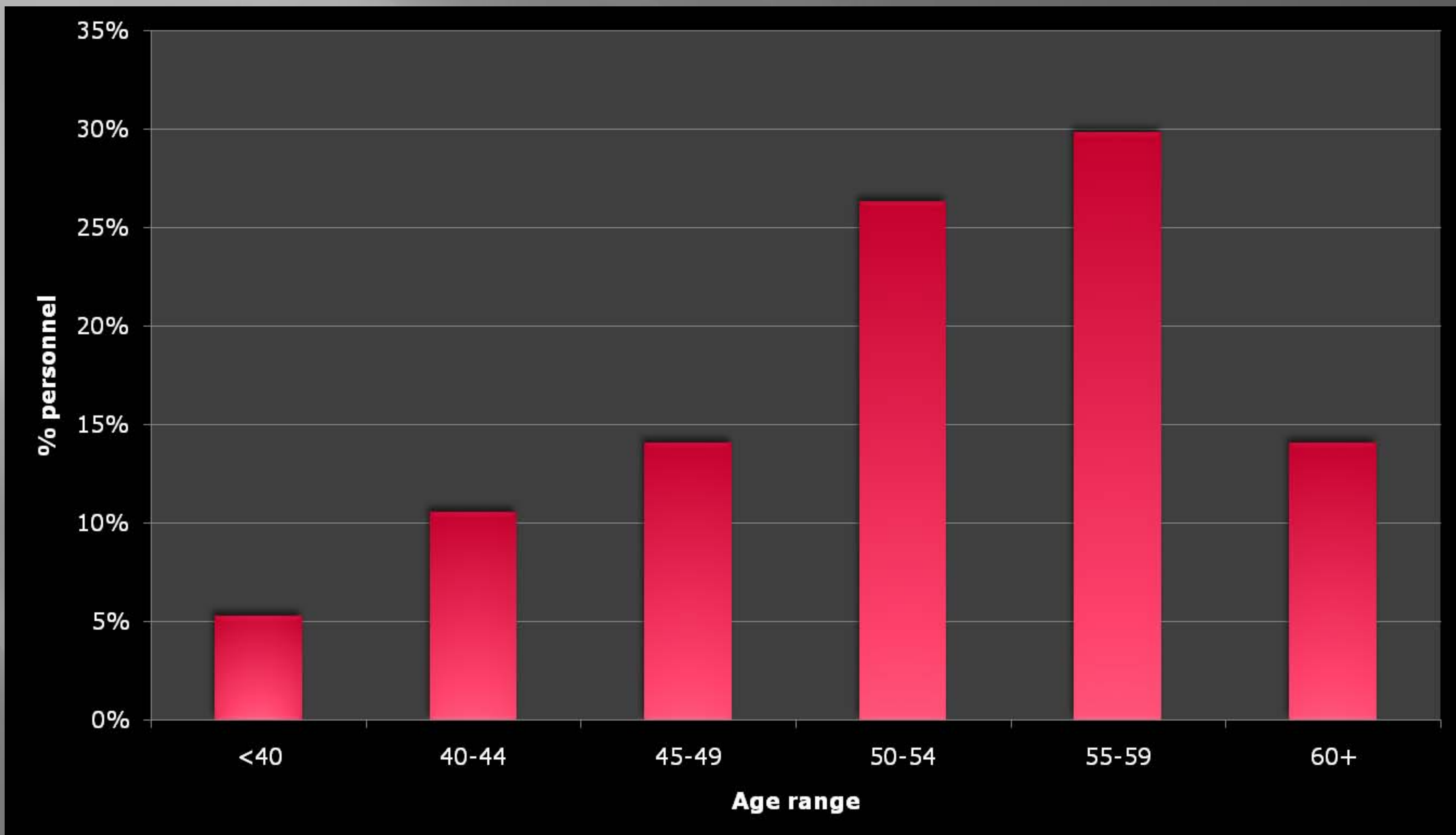
Marine seismic consultants



Land seismic consultants



Health & Safety consultant



Consultants aged 50+

Specialist service	% aged 50+	% aged 55+
Land seismic	59%	37%
Marine seismic	58%	34%
Health & Safety	70%	44%

Hindsight – a wonderful thing!

"We believe that the industry is slowly losing its ultimate
resource, its people, and is not attracting new graduates
in sufficient numbers"

Douglas-Westwood, 2000

Why the lack of new blood?

- Situation in 2008 worst it has been
- Where are the new consultants going to come from?
- Consultancy is relatively unattractive when compared to the alternatives
- Recession has probably diminished the issue but it will not go away
- Industry-wide initiative required

What can be done?

CONSULTANCY

- Core of Employees?
- Structured career
- Training, promotion etc
- Industry standards, professional qualifications
- Attractive remuneration
- Benefits packages

CLIENT

- Partnered approach
- Assistance with career development
- Assistance with achieving professional standards
- Attractive rates

Professional Standards, Training, HSE

Professional Standards

- Industry standards

Training

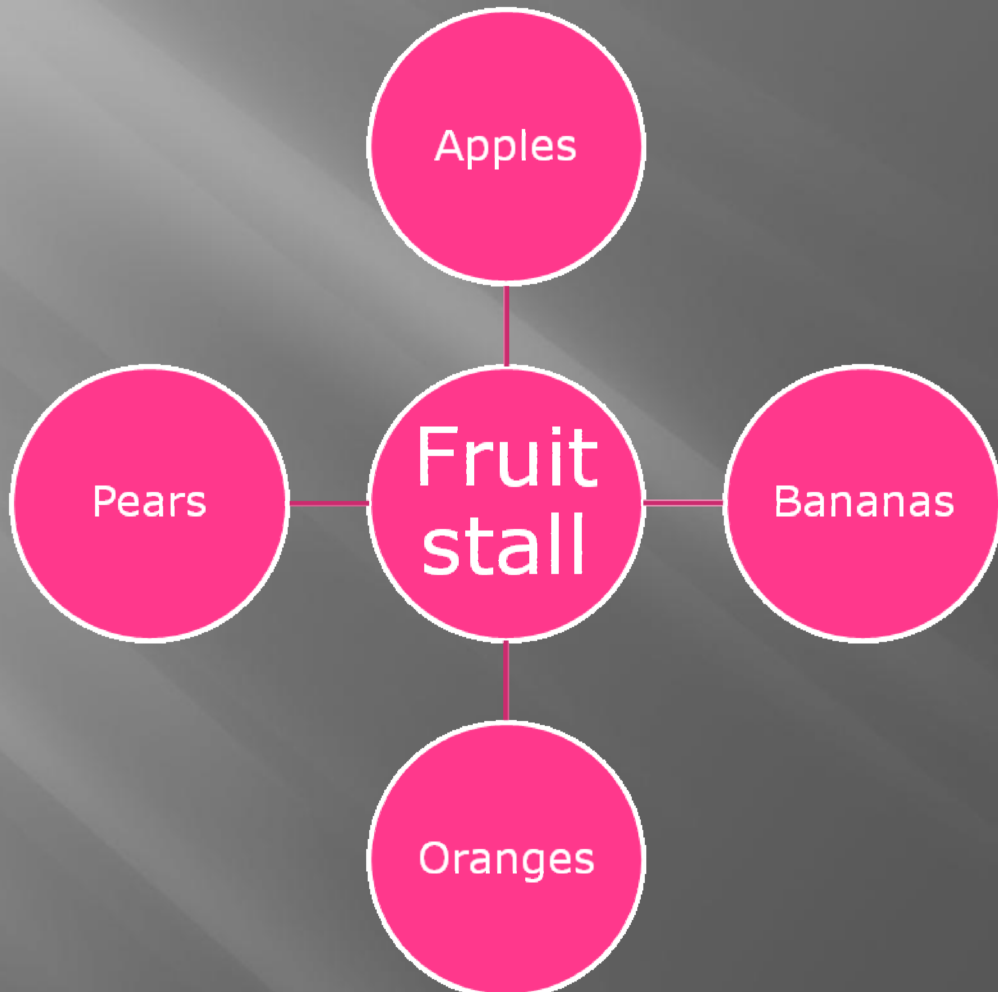
- Continuous development
- Technical, commercial, HSE

HSE

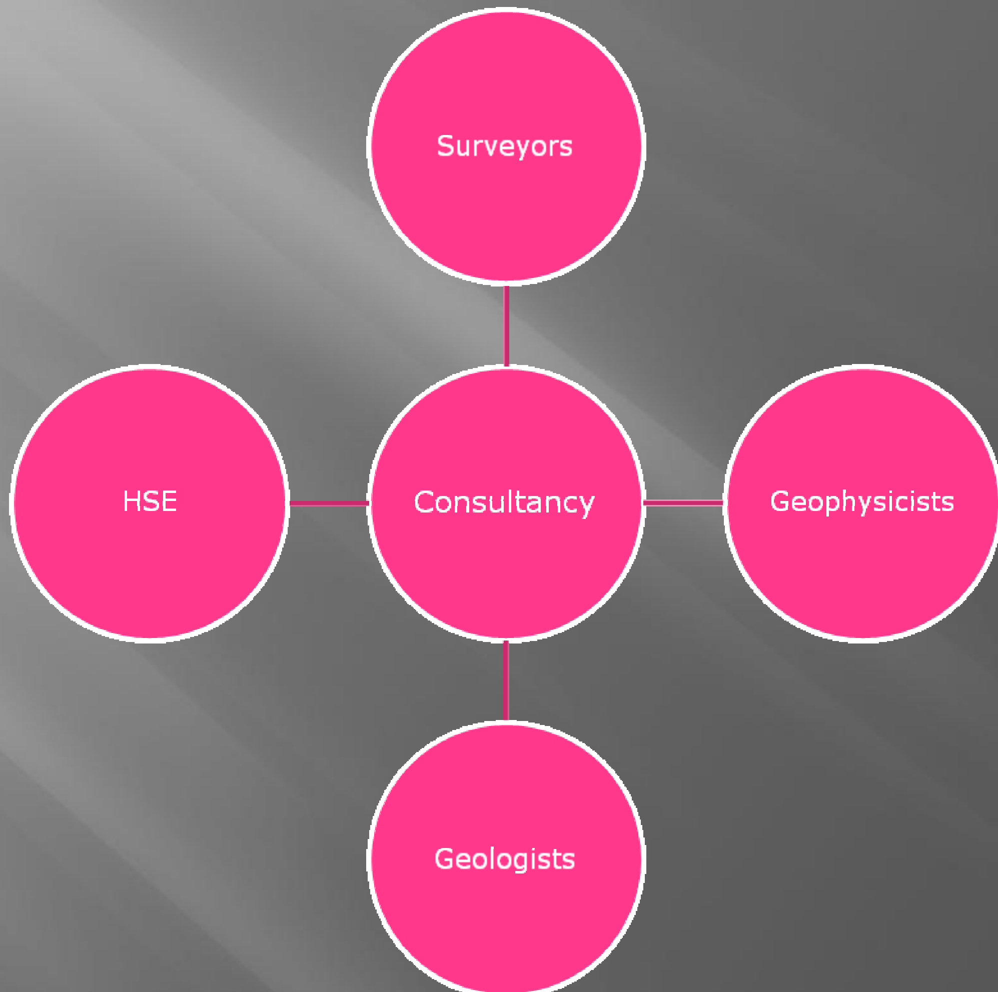
- Basic training
- Regular updates

Added Value

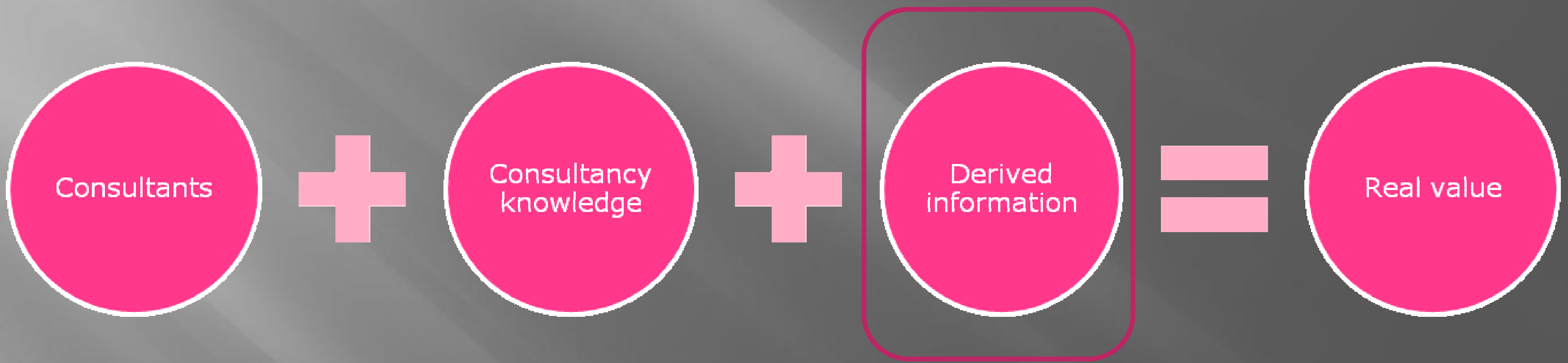
The fruit stall in the market



The consultancy in the energy business



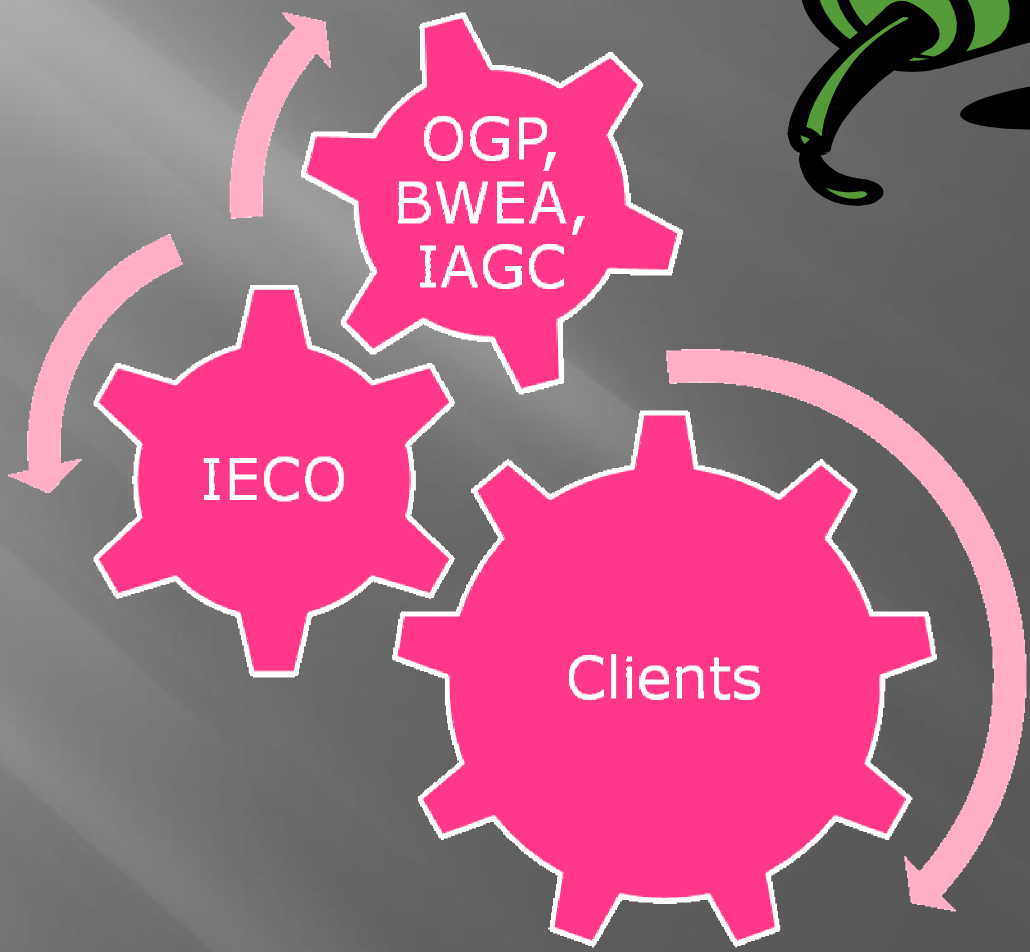
Added value



Consultants
Consultancy knowledge
Derived information
Real value

Better links between organisations

Better links between organisations



Concluding remarks

- Energy is too important an issue to suffer long in the economic recession
- Consultancy is a very significant cog in the wheel of the energy industry
- It will be sustainable if:
  - We begin to effectively replenish the diminishing workforce
  - The contractual and personal relationships are better understood and respected
  - Consultancies demonstrate more added value
  - Better links are forged between the interested parties
- Clients and consultants really do need to work in partnership!

THANK YOU FOR LISTENING