

# Ziff Energy Group's International Newsletter

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ENERGY  
GROUP

## Brazilian National Oil Company Chooses Ziff to Do Major Benchmarking Study

Petrobras, the national oil company of Brazil, recently signed a first-phase contract with Ziff Energy Group (ZEG) to analyze the operating efficiency of a significant number of their onshore fields. The full, multi-phase study will cover all of the company's onshore fields as well as its offshore/Shelf assets. Petrobras executives Jose Luiz Marcusso, General Manager for E&P and Portfolio, and Fernando Ramos de Menezes, Manager, Production Control and Programming Division, signed the contract in Rio de Janeiro, observing that the ZEG study "would contribute to meeting our objectives for excellence in operations."

The benchmarking/field operating efficiency study is being customized to meet the client's particular needs. Petrobras is interested in assessing the competitiveness of their field operations relative to similar North American operations. The study will include an operating cost analysis to measure performance and identify gaps relative to peer fields in ZEG's field-level operating cost database, as well as a best operating practices analysis of Petrobras' current field operations.

The results will allow Petrobras to determine which operating areas have added value potential via operating cost reductions and production increases. In the final phase of the study, ZEG will work with Petrobras teams to assess applicability and implementation feasibility of North American best practices.



LtoR: Luis Bacigalupo, Ziff, Jose Luis Marcusso and Fernando Ramos de Menezes, Petrobras, Adrian Goodisman, Ziff

Ziff recognizes the assistance of Rio-based energy consulting firm Expetro and its Calgary representative Annette Hester, after initial meetings during the World Petroleum Congress (WPC) in Calgary in June of 2000. Ziff was a sponsor there, and will again play an active role supporting the next WPC in Rio in 2002.

## Ziff Presents at Fifth CORAL Malaysia Seminar

In October of 2000, Ziff Energy Group CEO Paul Ziff addressed the 400 participants attending the Cost Reduction Alliance (CORAL) Malaysia Session in Kuala Lumpur on the subject of reducing operating costs. This annual event is a focal point for the Malaysian oil and gas industry, and attracts prominent executives from many multi-nationals, as well as Malaysian organizations. Cont. p.3

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## ZEG Moves into Latin America/Caribbean

Demand from Ziff's multi-national clients has taken us into the relatively new world of South American energy production. Since 1999, Ziff has completed a number of benchmarking assignments in the region, and executed three more contracts in the first quarter of 2001.

During a recent trip to Brazil and Argentina, Ziff Senior VP Adrian Goodisman and VP Luis Bacigalupo discovered what they describe as "a drive for operating excellence" in the companies they visited.

Many of the Latin American producers are aware that their field operations are, in many cases, comparable to those in North America, allowing for productive comparisons and benchmarking studies. For example, the Nequin Basin fields in Argentina are similar to fields in the Permian Basin and in some Western Canadian areas.

Argentinian onshore gas operations are similar to gas operations in shallow Hugoton and East Texas fields. Because a successful field-level study is best conducted by those who know the fields best, ZEG's Latin American studies are led by regional experts Luis Bacigalupo and Leary Hosein.

Although ZEG normally takes the lead in selecting peer fields for comparison (to ensure that we are comparing apples to apples), based on such factors as oil API, well productivity, lift mechanism, etc., one Latin American client recently took the lead in specifying its own very specific comparison criteria. But no matter how the fields or criteria are selected, Latin American companies are in an excellent position to benefit from the extensive 2300-field ZEG operating expenses database.

### Trinidad Onshore/Offshore Benchmarking Study Completed

Ziff Energy Group recorded another 'first' in its international expansion, as the company completed an RFOC study for Petrotrin, the state-owned oil company of Trinidad, in November of 2000. Although ZEG has performed such studies for many majors and independent producers in the Trinidad region, this marks the first contract between Ziff and a state-owned oil company. (The gas consulting arm of ZEG has completed a number of assignments for governments and agencies in Canada and South America.)

The Trinidad Onshore/Offshore study marks the first time that Petrotrin has embarked on a benchmarking study at the field level; previous studies were conducted at the company level. Four onshore districts and five offshore fields, which comprise the assets of Petrotrin and its subsidiary Trinmar, were included in the study, which

between Petrotrin and Texaco as operator, was fully acquired by Petrotrin in 2000.)

The Petrotrin land assets were benchmarked against similar assets in the US and western Canada, while the offshore assets were benchmarked against shallower assets in the Gulf of Mexico Shelf. Preliminary results were presented in September, and a full presentation was made to the Trinmar Operating Board in December. Encouraged by the results, Petrotrin expressed its intention to incorporate the study as a key tool in its ongoing production enhancement and cost-reduction efforts.

The study identified high operating cost areas and provided Petrotrin with leading onshore and offshore practices from the comparable North American areas. These best practices provide the means for reducing



Leary Hosein and Adrian Goodisman (centre front) take a break from the field debriefing with the Field Operators and Petrotrin managers.

## Adrian Goodisman Named SPE Distinguished Lecturer

Adrian Goodisman, ZEG Senior Vice-President, E&P Services, has been appointed Distinguished Lecturer by the Society of Petroleum Engineers (SPE) for the Fall 2001-Spring 2002 term. The Distinguished Lecturer is a program designed to provide SPE sections around the world with outstanding speakers who are experts in their fields, and to recognize the contributions of the recipients. Adrian is the second ZEG executive to be so honored; Dr. Tom Woods, VP, Gas Research, was a Distinguished Lecturer ten years ago.

The SPE is an international professional/technical organization dedicated to advancing technology associated with the recovery of energy resources from wellbores. It is one of the largest industry associations in the world, with more than 50,000 members in over 100 countries on six continents. Adrian has been actively involved with the SPE since 1987, having served as Chairman of the National Membership Committee, Chairman of the Board of Directors (Canadian Section) and as a Director of the Gulf Coast (Houston) Section.

## Ziff Expands to Austria with Customized RFOC



OMV and ZEG met to finalize the scope of the study in Austria. From left to right, Gerhard Bauer, Petroleum Engineer/ Business Analyst, Udo Bregar, Petroleum Engineer, Franz Nissler, Accounting Manager, all from OMV, and Steve Turk and Donna Elwood from Ziff Energy.

OMV Aktiengesellschaft of Austria has recently joined the ZEG client roster, as our first onshore European client. Working with OMV, ZEG has modified its basic RFOC to accommodate the unique features of the company's fields, in order to analyze operating costs and practices for their onshore oil and gas fields. The project began in December, 2000, with a meeting at the OMV E&P office outside Vienna, where the project scope was outlined, and OMV expense report items were matched to ZEG cost definitions. Steve Turk, VP Operations, and Donna Elwood, Operations Specialist, toured various OMV well and facility operations to review operating logistics and observe daily operating practices.

The operations ranged from medium-depth, low gravity mature oil production with a high water cut to medium-depth, high productivity gas production with up to 18%

CO<sub>2</sub>. To benchmark the field expenses of these fields accurately, ZEG and OMV prioritized operating characteristics that have the greatest impact on operating costs, after which ZEG selected 39 similar fields from the North and South American database for an accurate comparison of operating costs and practices.

A mid-project review with OMV by Project Manager Randy Schultz was followed by a second tour in March 2001 to gather detailed information on field-level work flow processes from field supervisors and other key operating personnel.

When completed, the study will give OMV an analytical comparison of its operations with the leading practices of similar companies in the Ziff database, thus giving OMV the tools to restructure in order to lower field operating costs and maintain profitability in its mature operations.

### **CORAL Malaysia Conference, cont. from p.1**

Other speakers on the panel were: Ed Mayhall, Esso Production Malaysia, Inc., Jamal Ainul, Schlumberger, Dr. Samad Solbai, Malaysian Petroleum Institute, and Capt. Surya Hidayat and Paul Ching, Sarawak Shell Berhad. Keynote speakers included Ybgh. Dato Mohamad Idris Mansor and Ybgh. Tan Sri Dato' Mohd Hassan Marican of Petronas, and other prominent industry executives.

This trip marked Paul's second visit to Kuala Lumpur in 2000; the first, during which he met with industry executives and government officials, followed a presentation he gave at the Australian Petroleum Production and Exploration Association (APPEA) Conference in Brisbane.

## E&P Division Expands Scope of Services

As a result of the success of ZEG's two primary products, the Finding and Development (F&D) study, and the Reducing Field Operating Costs/Best Practices(RFOC) study, not only do we find ourselves in the international arena, we find that our ancillary services are also in much greater demand. Thus we have added additional services to our portfolio. More than 100 E&P companies have participated in RFOC studies, giving Ziff the most extensive operating expense database in the industry, with information from more than 2300 fields, representing close to \$8 billion in operating costs.

Our RFOC studies are now available internationally, and we are able to customize our studies to meet clients' specific needs. In addition we are now assisting clients with portfolio analysis and staffing evaluations.

### International Expansion of RFOC Studies

Ziff's International expansion began as multinational clients discovered the value of our North American benchmarking studies and wanted to apply the same benefits to their international operations. To date, international projects have been completed or are underway in South America, Asia, Europe and the Caribbean.

While our North American projects have typically been multi-client studies, our international assignments are more often *phased custom projects*. In Phase One, the client's fields are benchmarked against similar fields from our database to identify operating cost/ practice gaps where there are opportunities for improvement. In Phase Two, ZEG engineers conduct field interviews to obtain clearer understanding of the client's field practices, which are then compared to leading North American practices. Phase

Three evaluates the competitiveness of the client's field and head office G&A costs.

### Custom Consulting

Once companies have identified the gaps in their operations via our RFOC studies, they are ready to implement change. ZEG consultants have assisted a number of clients in the process of implementing best practices within their field operations.

### Staffing Assessments

Ziff has developed a customized G&A analysis for international clients with production sharing contracts (PSCs) which can determine the optimum balance of nationals and expatriate employees for their foreign operations. In addition we can assist in evaluating an operator's technical staffing, based on their strategy (growth or harvest) at the *business unit level*.

### Portfolio Analysis

Our massive database is a valuable tool for clients wishing to do an internal portfolio analysis of their properties. We recently completed an assignment for a large US independent with assets in numerous basins. The majority of the client's fields were benchmarked against similar fields in the database, providing the client with a snapshot of how competitive its operations were. This client is now in a position to make informed decisions on what assets to keep or sell, and where to focus resources to add the most value to operations.

In another assignment for one of the Majors, we have rolled up field level data to create an effective comparison at the regional/company level.

## What Clients Say About Our Operating Cost and Best Practices Studies

"The value for changes we implemented was estimated at \$5,000,000 per year, a very good return on investment."

*Large U.S. Independent*

"As a result [of using your Gulf of Mexico Shelf], we have been able to dramatically improve our operational efficiencies and lower our costs."

*VP, Gulf of Mexico Major*

"Your study saved [us] \$750,000 annually. The Best Practices section exposed us to different methods of improving our costs and our operations."

*Operations Leader, US Independent*

# Senior Executives Join ZEG International Division



**Luis V. Bacigalupo,**  
**Vice-President, Latin America**

Mr. Bacigalupo brings over 30 years' experience in the international petroleum industry to Ziff's E&P team, including executive positions in petroleum engineering, production operations, strategy planning and business development. He gained in-depth knowledge of the petroleum industry in Latin America as President of Tierra Nueva Resources, an E&P company, as CEO of Mercantile International Petroleum, which had properties in Latin America and Southeast Asia, and as Vice-President Latin America for Gaffney, Cline & Associates. Earlier, he was an Operations Manager in Indonesia and Canada with Maxus.

Mr. Bacigalupo has a B.Sc. in petroleum engineering from the University of Belgrade, and he is fluent in English, Spanish, and Serbo-Croatian, and proficient in Italian, Swedish, Portuguese and Russian.



**Vinod Jindal,**  
**Senior E&P Associate**

Mr. Jindal also has more than 30 years' experience, in E&P in a variety of U.S. and international locations. His diverse background includes experience in production, drilling and operations, in P&L management, and in building and growing organizations through effective strategic planning. His previous positions include: General Manager, Production, Enron Global Exploration and Production, Drilling and Production Manager(UK) and Production Manager, International Division (Nigeria, Indonesia, Netherlands) for Phillips Petroleum. His Gulf of Mexico experience includes work for Aminoil and Haliburton Energy Services. His extensive offshore operations experience will be an asset to international and Gulf of Mexico clients.

Mr. Jindal, fluent in English and Hindi, received his M.Sc. in Petroleum Engineering from Louisiana State University, and his undergraduate degree from the Indian School of Mines



**Bob Reid,**  
**Senior Gas Associate**

Mr. Reid joined the Ziff Energy Group in 2000, bringing over three decades of hands-on experience and a broad knowledge of the North American natural gas industry. Mr. Reid came from TransCanada PipeLines, where he served as President, Energy Transmission, and Senior Vice-President, Northern Development, responsible for implementing a plan to access frontier supplies of gas. During his career at TransCanada, Mr. Reid was instrumental in negotiating the first deregulated price for natural gas in Canada, and consummated the first incentive rate settlement for a natural gas pipeline in North America. As President of Iroquois Gas Transmission, Mr. Reid successfully overcame significant public opposition and political controversy to connect western Canadian gas to growing markets in the U.S. northeast.

Bob will be utilizing his extensive pipeline and marketing experience as an international gas consultant. He can be reached at [breid@ziffenergy.com](mailto:breid@ziffenergy.com).

## Ziff Energy Group Supports Energy Industry Education

**University of Calgary** - Ms. Elizabeth Logan received ZEG's Jack A. Sandercock Bursary for a second-year student enrolled in the Faculty of Engineering. Fourth-year student Brent Robinson received the G. Gordon Clarke Bursary for students in the Faculty of Social Sciences with a major in Economics. Brent is completing his fourth year.

**Mount Royal College** - Ms. Lori Ann Grecko has been awarded the Tom J. Clay Bursary for a student enrolled in the School for Business and Entrepreneurial Studies.

**Mississippi State University** - ZEG funds the Hank Kelly Scholarship in honour of our first Vice-President, Offshore.

ZEG also supports the Independent Petroleum Association of America's (IPAA) education program.

# Foreign Languages Spoken By ZEG Staff Members



Cantonese & Mandarin



Croatian



Farsi



French



Hindi & Gujarati



Italian



Korean



Portuguese



Romanian



Russian



Spanish



Swahili



Swedish



Turkish



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 and Internationally. 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 on Ziff Energy Group

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
- Natural Gas Consulting Services
- Merger and Acquisition (M&A) Advisory Services

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