



Oil & Gas
Authority

Future of UKCS

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Director

Exploration & Production

DEVEX May 2016



UKCS Context

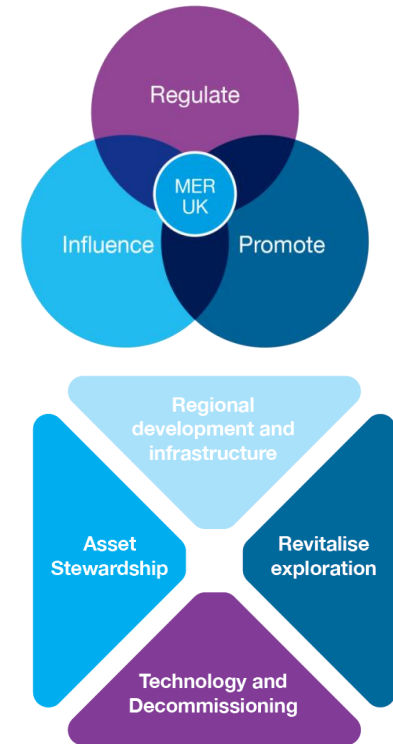
Story so far...

- 43 bnboe recovered
- Up to 20 bnboe remaining
- 1.6 mmboed in 2015
- £11.6bn capex in 2015
- £338bn production tax to date
- £35bn supply chain revenue pa

Current context

- Regarded as a mature basin
- Ageing infrastructure
- Diverse investors
- Low levels of exploration
- Reducing operating costs
- Improving production efficiency

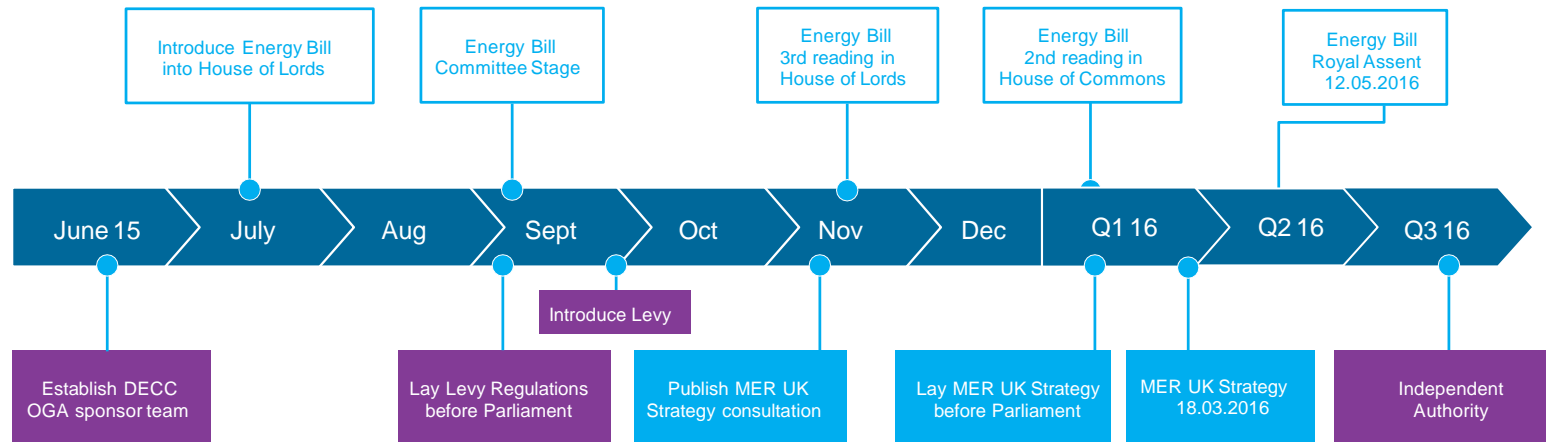
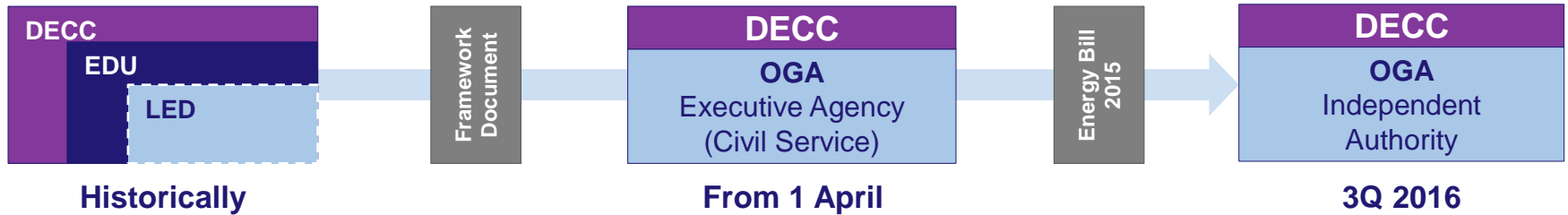
About the OGA



OGA focus is strategic and prioritized to MERUK



Building the OGA

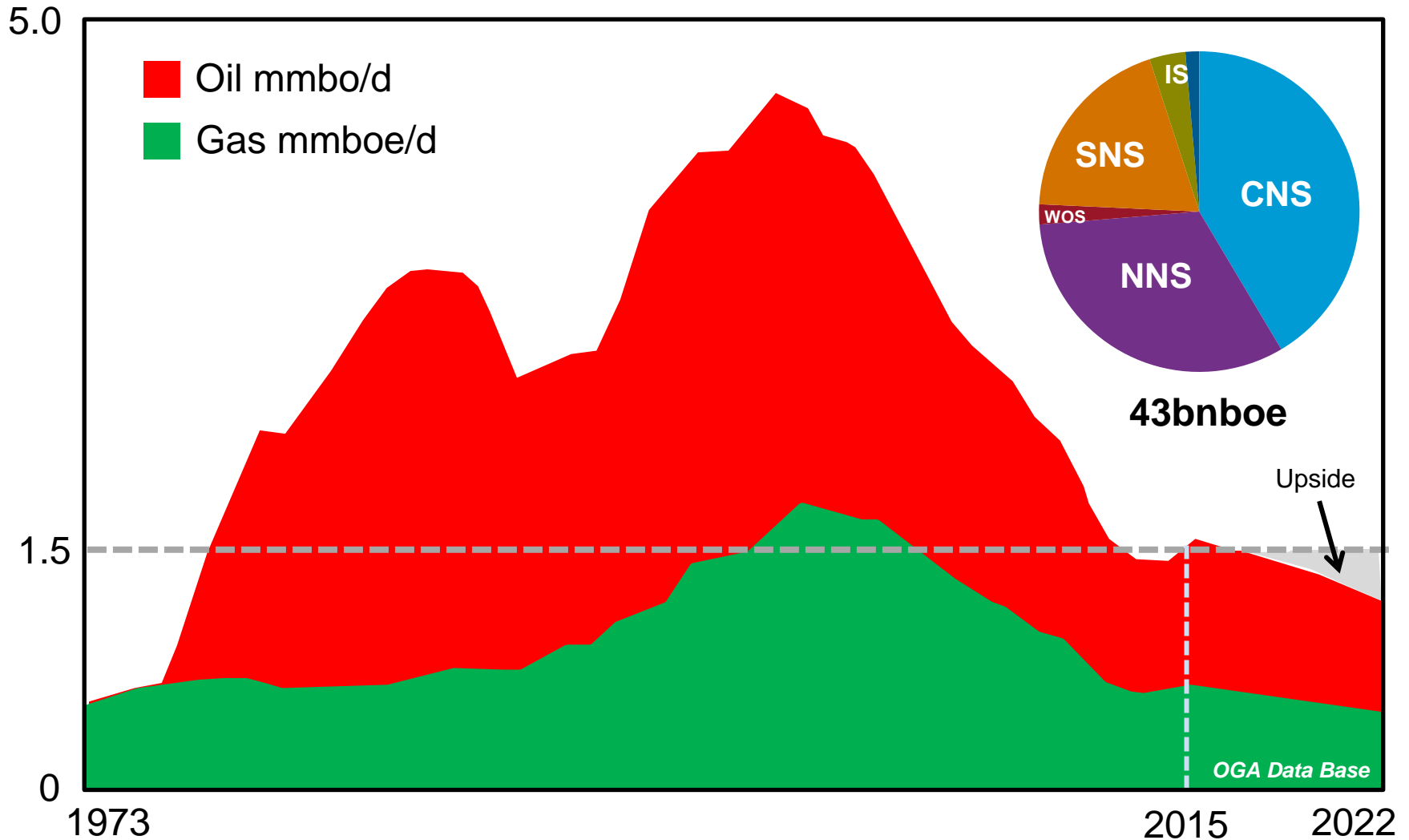


Energy Bill
 MER UK Strategy
 Governance

MERUK Strategy & Energy Bill approved



Produced Reserves

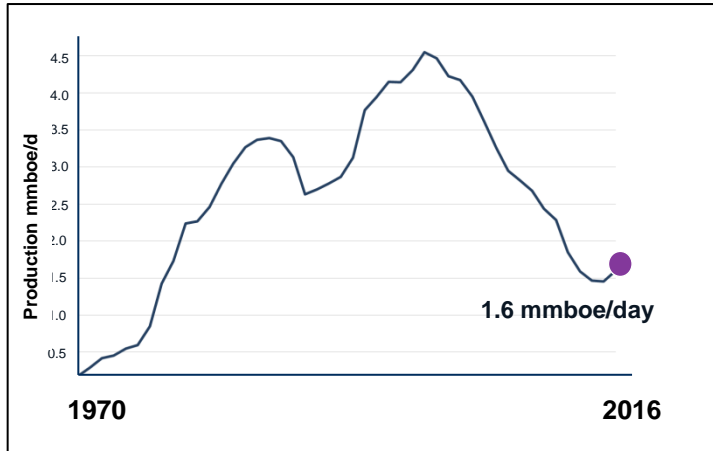


Production increased in 2015 due to new developments & improved PE

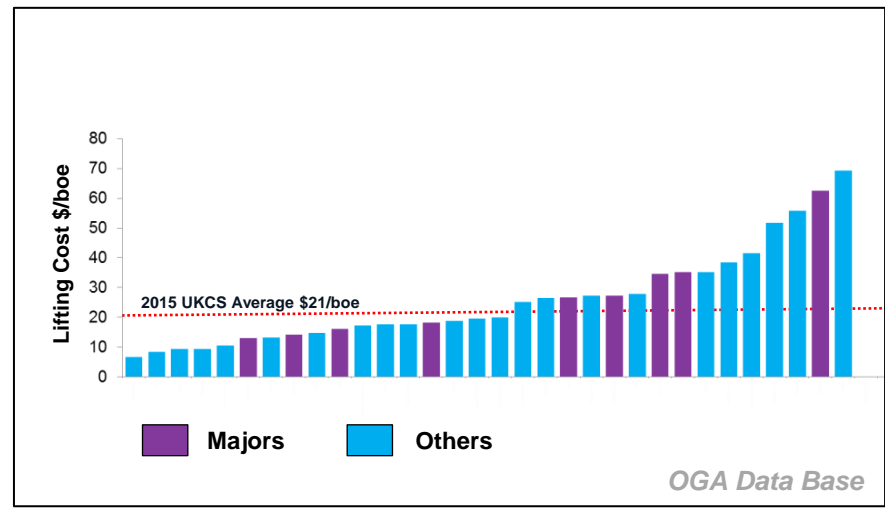
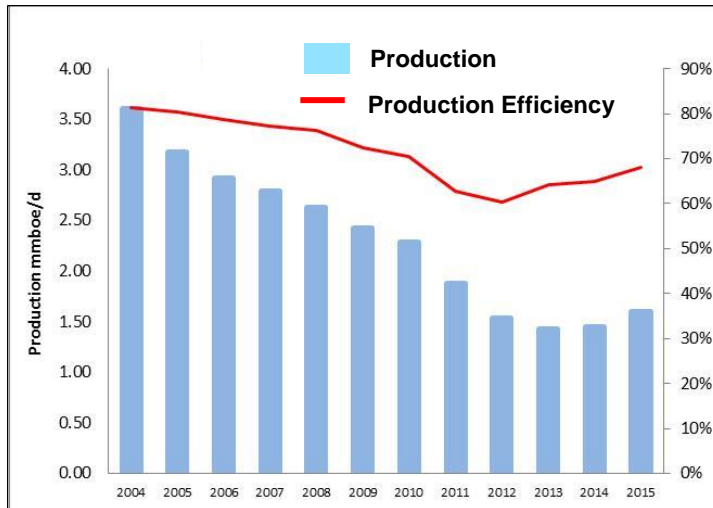
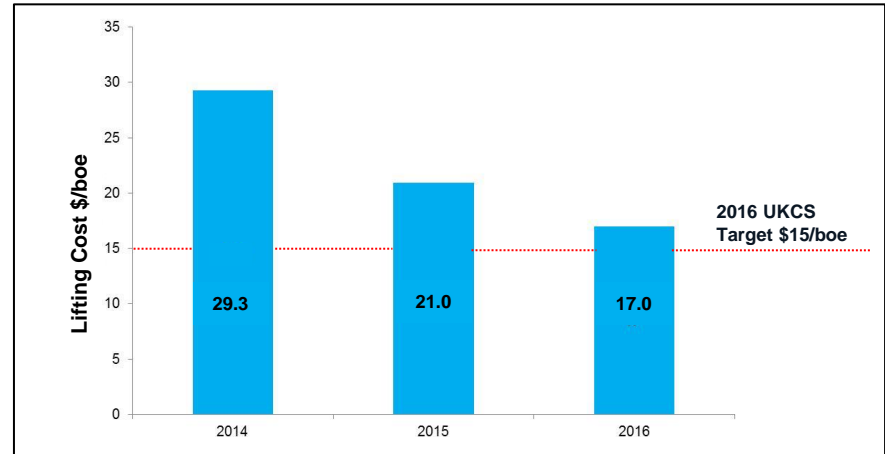


Cost & Production Efficiency

Production



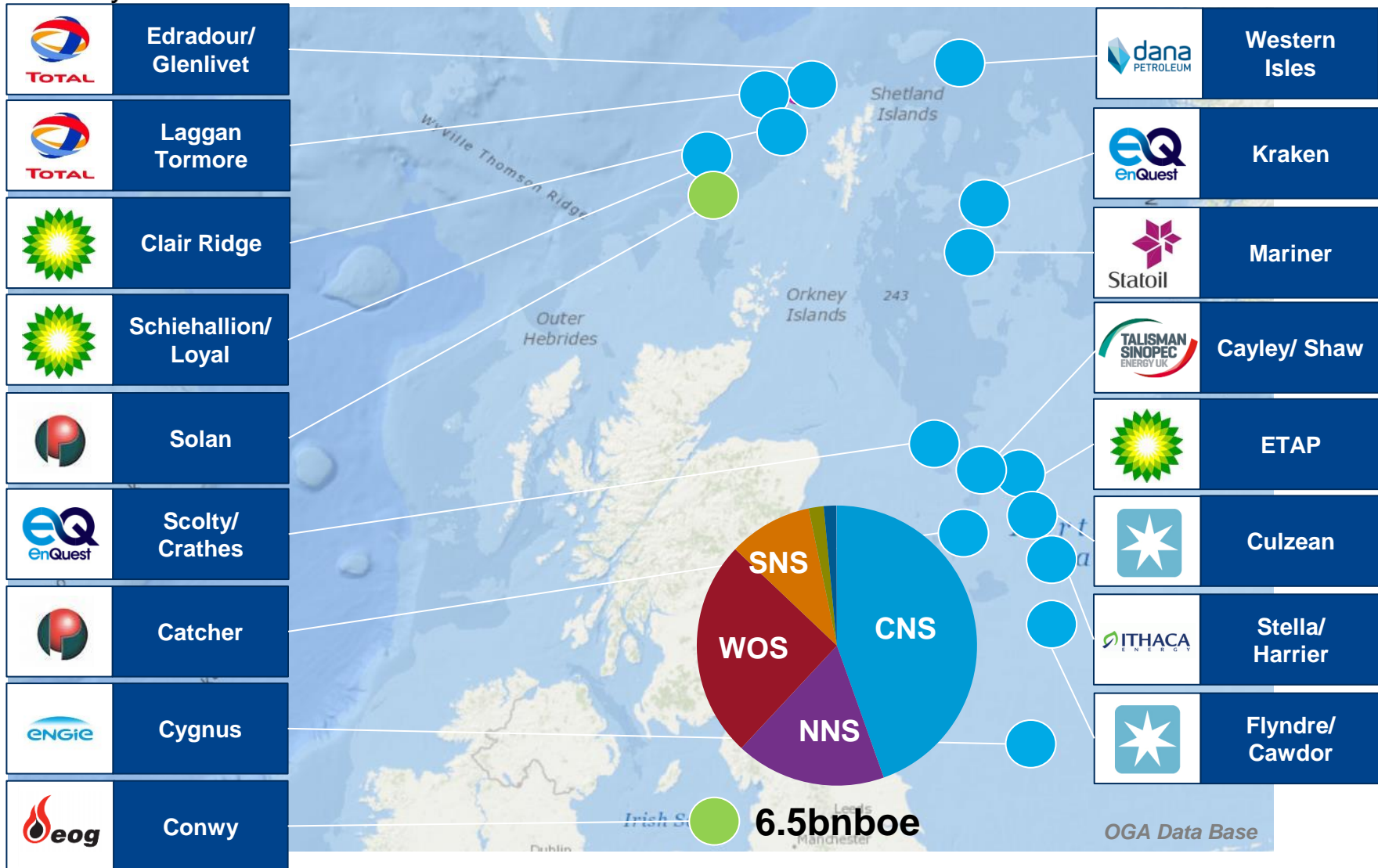
Lifting Costs



Significant improvements in increasing production & managing costs



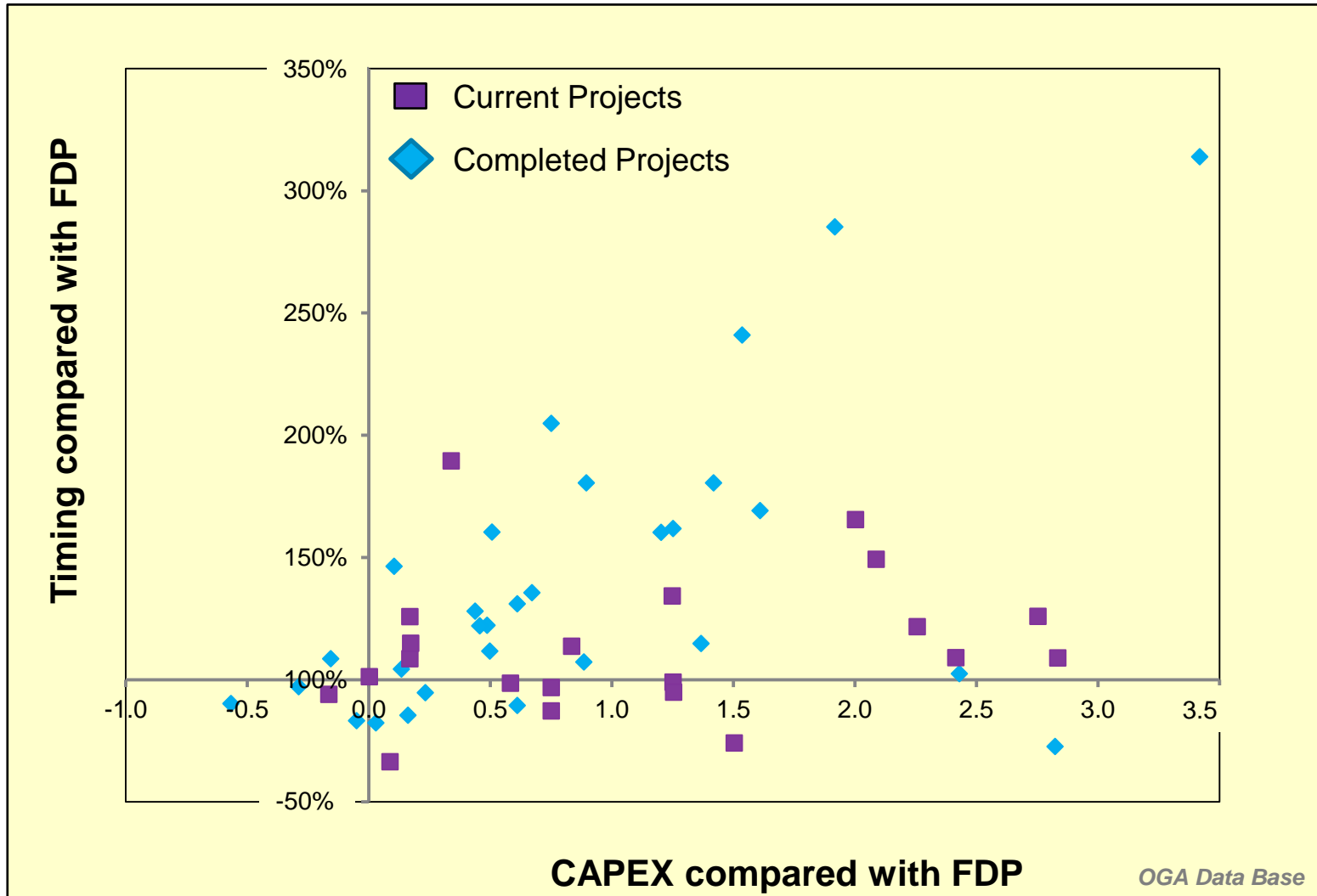
Developed & Sanctioned Reserves



More than 300,000 boepd under development



Project Timing & CAPEX

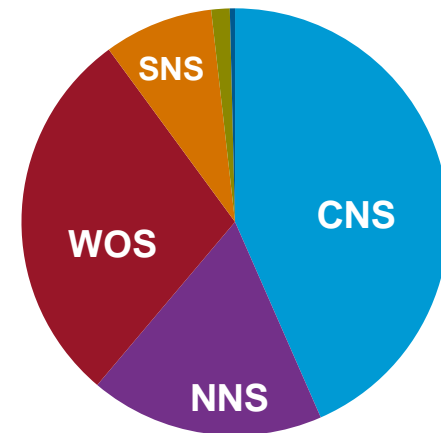
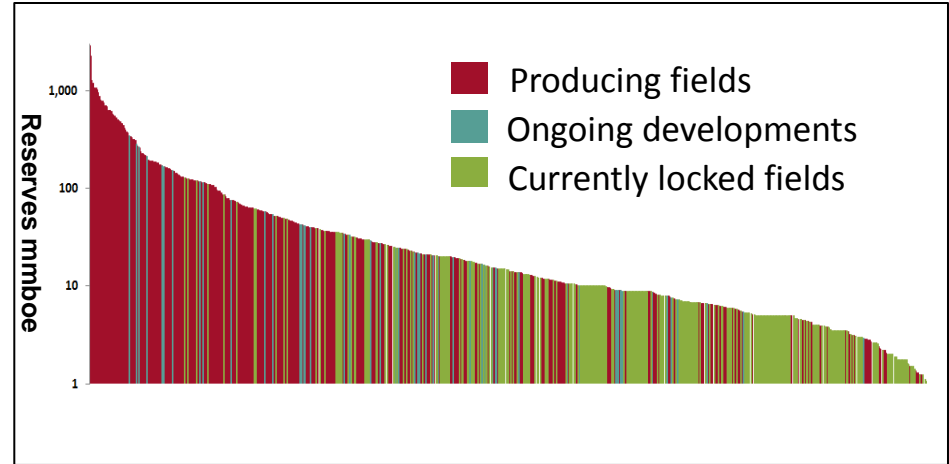
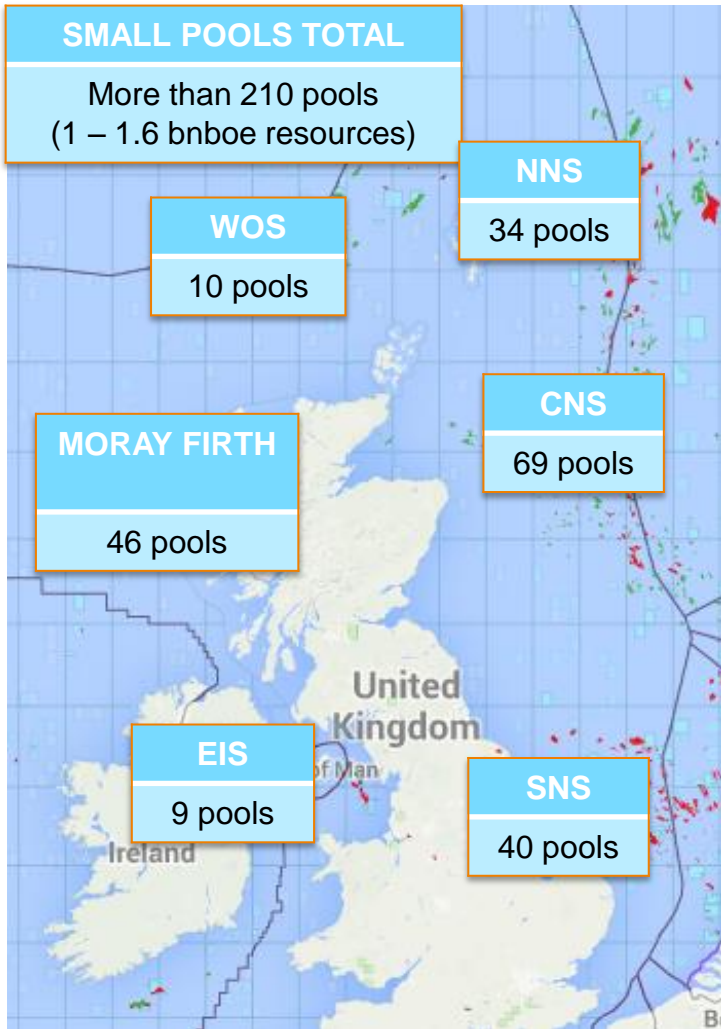


OGA Data Base

Completed projects 40% over budget and 75% delivered late



Unsanctioned Resources



4.4 bnboe

OGA Data Base

Technology and cost reduction will unlock value



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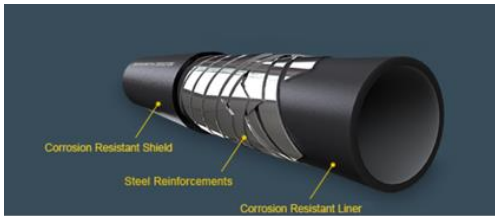
Small Pools Initiative

Technology Application

SNS Cluster Pilot



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Steel /Composite spooled pipe



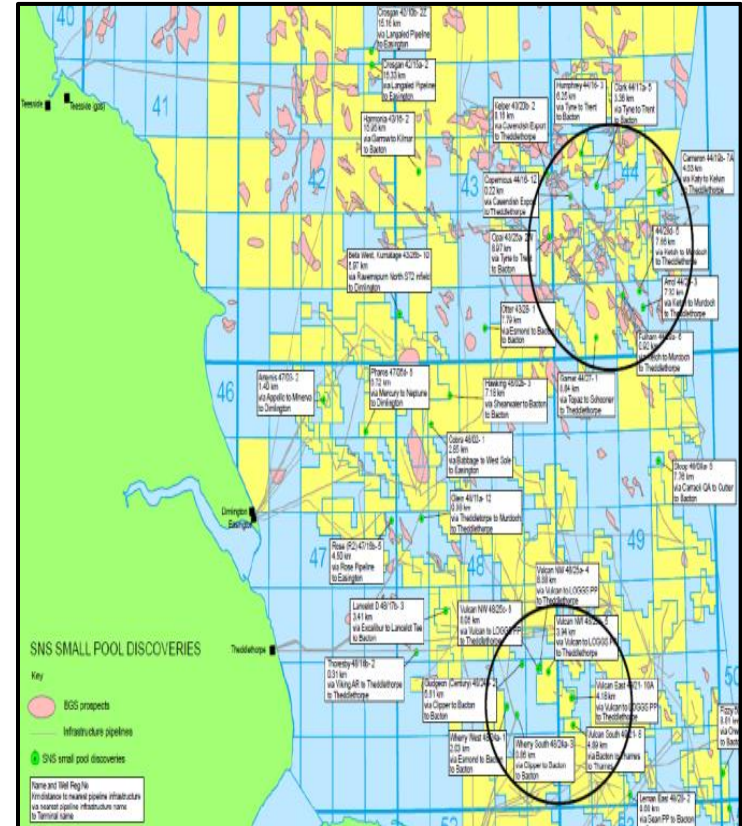
Spooled pipe products



Mechanical/Grouted Hot tap tees

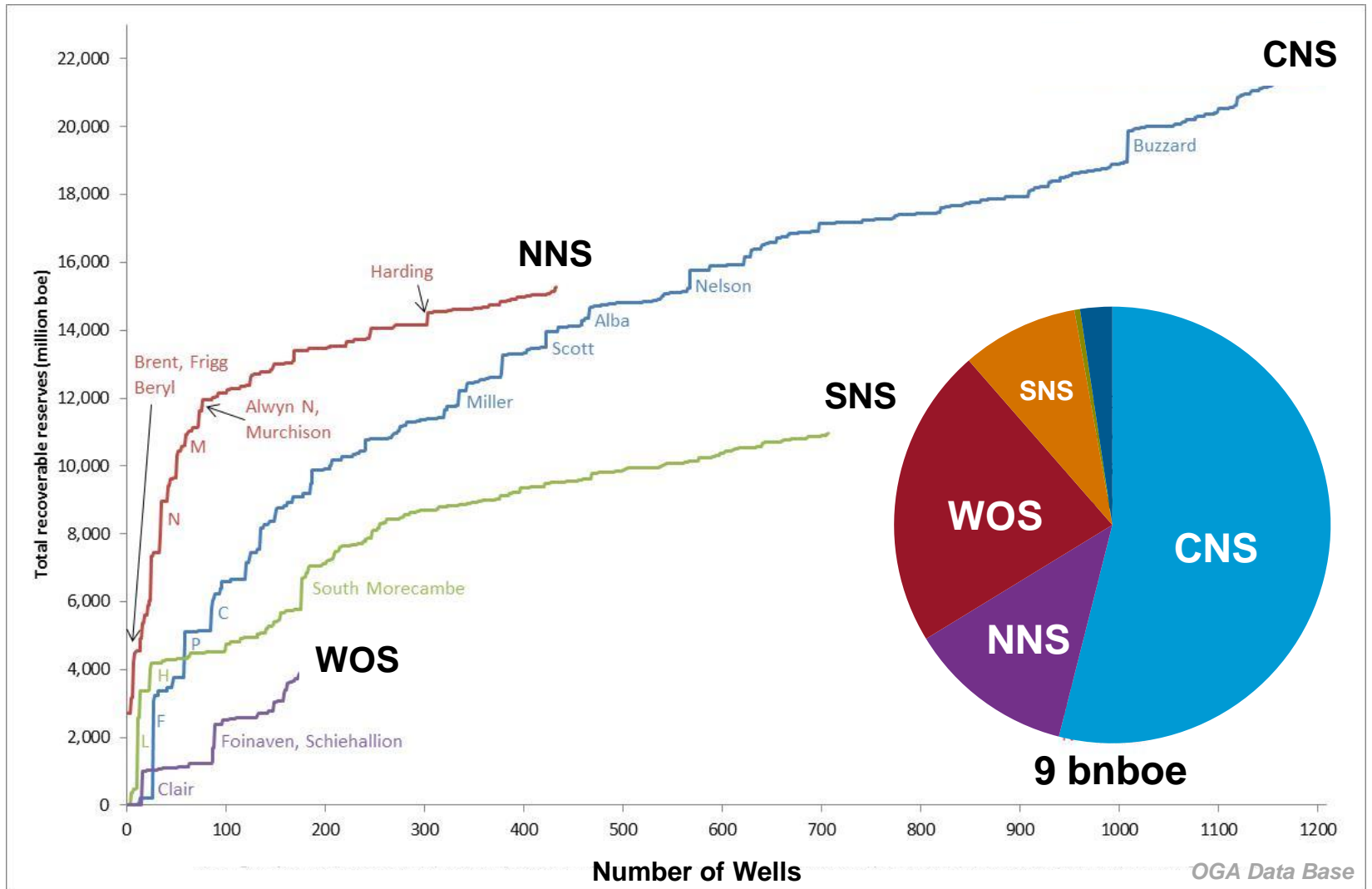


Subsea fluid injection skid





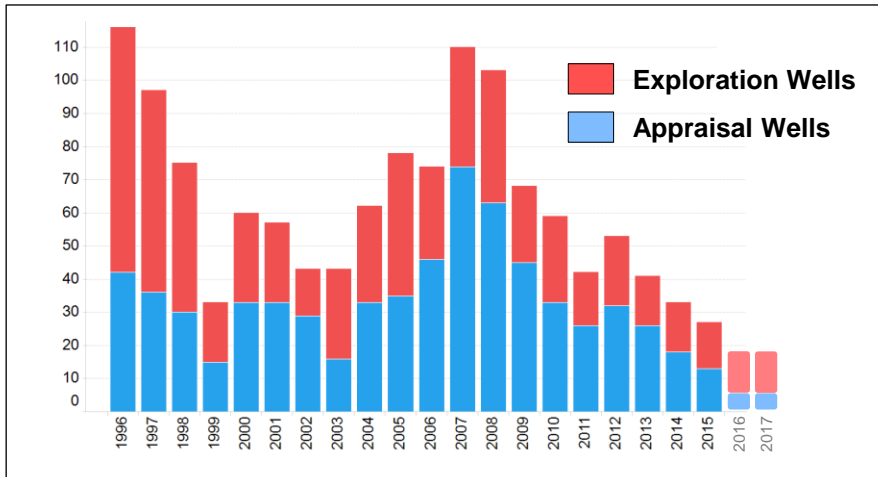
Mature Yet-to-Find



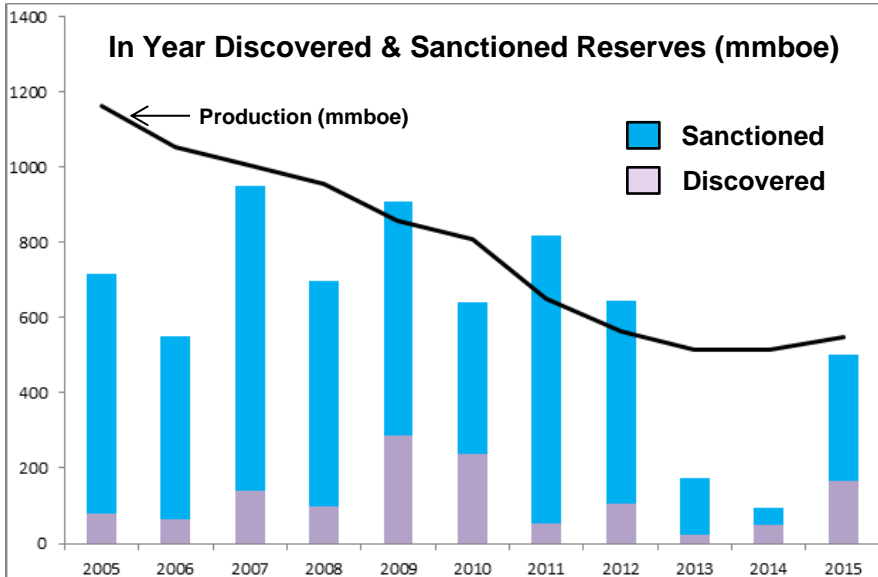
Significant additional potential in mature areas



Mature Exploration

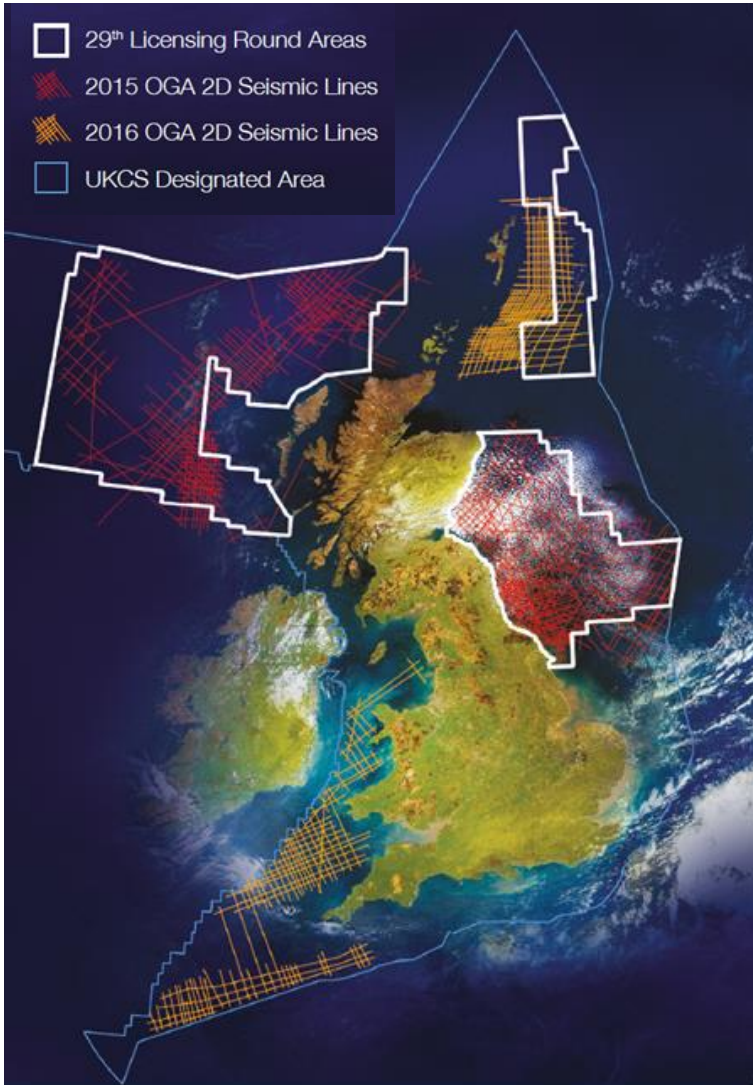


- High well cost, mis-alignment & lack of funding are key issues
- Well cost reduction being worked
- OGA working exploration hub approach & improving alignment
- Active engagement of investors
- Industry looking at setting up 3D seismic group shoots
- Discussions ongoing with government



OGA Data Base

Requirement to stimulate infrastructure led exploration



2015 & 2016 Seismic Acquisition Programs

- £40m UK government funding seeking to promote underexplored areas of UKCS

OGA Competition to Define Potential

- £1m prize money shared between 2015 & 2016 for best project and interpretation

New World-Class Visualization Facility

- £700,000 funding Lyell Centre in Edinburgh which is a JV between BGS and Herriot Watt University

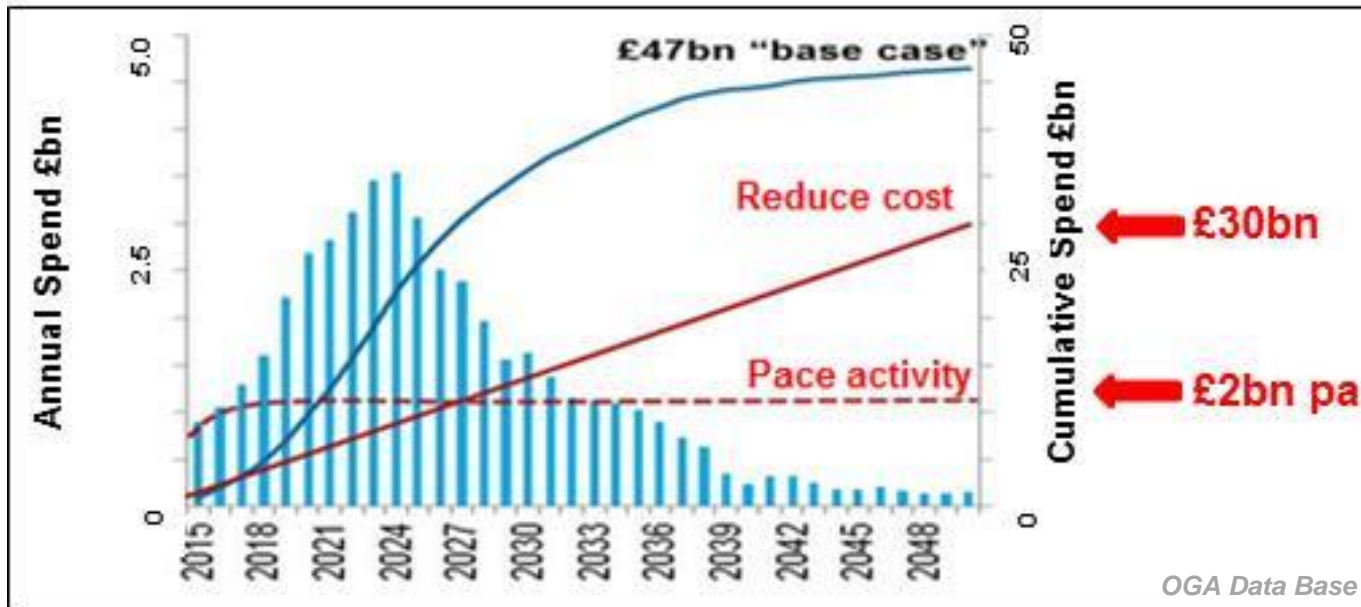
Post-Doctoral Appointments

- £750,000 for three post-doctoral appointments in geoscience and reservoir engineering

The UKCS North Sea has both mature and frontier potential



Decommissioning

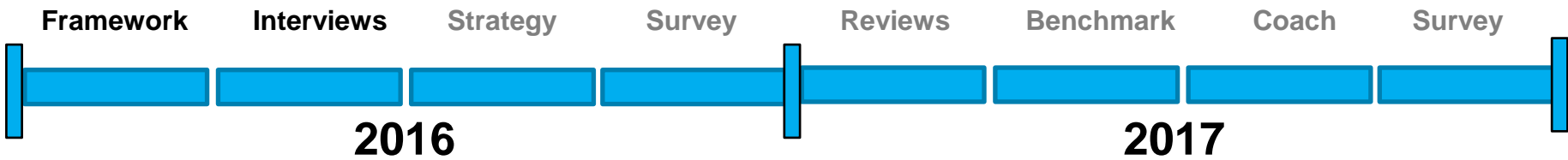


- Update cost estimates & share plan and demand profile
- Demand-led profile to develop low cost capability & capacity
- Develop new business and contracting models for decommissioning
- Scope programme & secure technology funding
- Identify optimal policy and regulatory conditions

Avoid premature decommissioning and improve cost efficiency



Improving Asset Stewardship



Improving Efficiency & Performance to deliver MERUK



Key Messages

- OGA working closely with Industry & Government to deliver MERUK
- Considerable progress has been made ranging from exploration to decommissioning
- OGA beginning to develop plans and regional models to underpin MERUK strategy
- Collaboration exists but behaviours and commercial complexity are causing drag

Considerable potential still exists in UKCS & open for business