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Local Content Overview

Clarification Meeting, Bridgetown, Barbados

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Basic Premises'

- International Oil Companies [IOCs] have many investment options around the world - **Barbados must compete!**
- With \$100+ oil more and more oil & gas prospects become economically viable but worldwide costs are increasing rapidly - therefore, the economics of these opportunities are not as simple as it seems
- The majority of goods & services required by E&P operations are highly specialized - a significant portion of the CAPEX expenditures will only be provided by a small set of suppliers
- But, does this leave out options for Barbados? Absolutely not!



The Good News

- IOCs who will qualify as operators for Barbadian E&P programs are keenly aware of the State's interest in pursuing local content objectives
- Most IOCs will make every reasonable effort to engage local suppliers of required goods & services, provided:
 - Standards are met
 - Delivery is on time as promised
- Therefore, think of it this way - IOCs cannot and will not be able to tolerate substandard local services
 - You can have 100% of nothing, or,
 - A percentage of something – especially as local commercial knowledge of the E&P industry grows



What's Involved in E&P Operations?

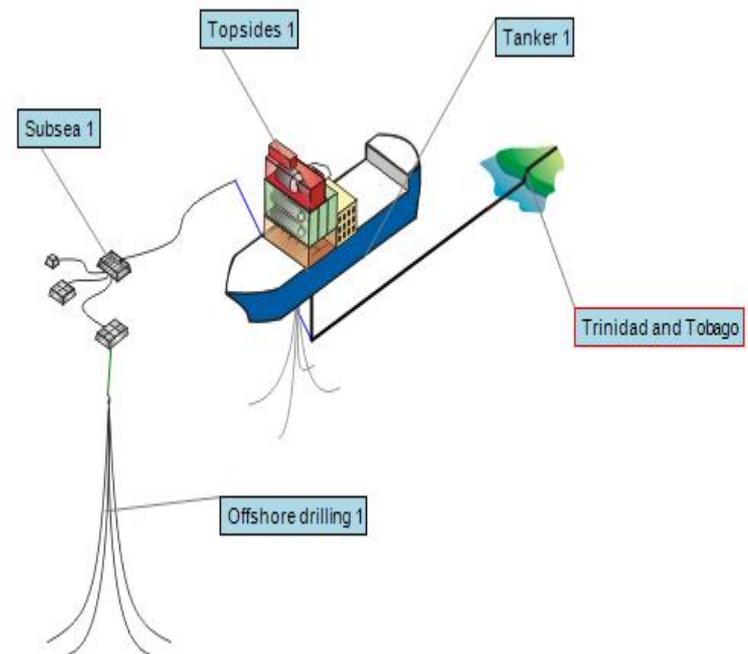
Four Stages:

1. Exploration & appraisal - where the idea is “tested”. This effort determines commerciality [if any].
2. Development - the additional effort required to get production going. The majority of expenditure will usually happen here.
3. Production - maintenance of the production facilities and ongoing revenue from the sale of oil & gas
4. Abandonment or relinquishment - where the end-of-life activities occur or transfer to the State takes place

Case Example

Assumptions:

- 500 MMbbl - 1450 scf/bbl - ~750 bcf
- Water depth - 2000 meters
- Reservoir depth - 4500 meters
- Reservoir extent - 22 km x 10 km
- Pressure - 8800 psi





Parameters

Does not include Exploration & Appraisal program

- **Offshore development drilling**
 - 42 production wells, 17 water injection wells = 59 total
 - Value = \$2.5 billion
- **Subsea completion**
 - Equipment, materials, installation, etc.
 - Value = \$1 billion
- **Tanker**
 - Value = \$400 million
- **Production facilities**
 - Value = \$350 million
- **Offshore natural gas pipeline**
 - 230 km, 22" diameter – 285 mmcf
 - Value = \$750 million
- **Total project**
 - Value = \$5 billion



Local Content Options?

Potential Barbadian business entities must consider:

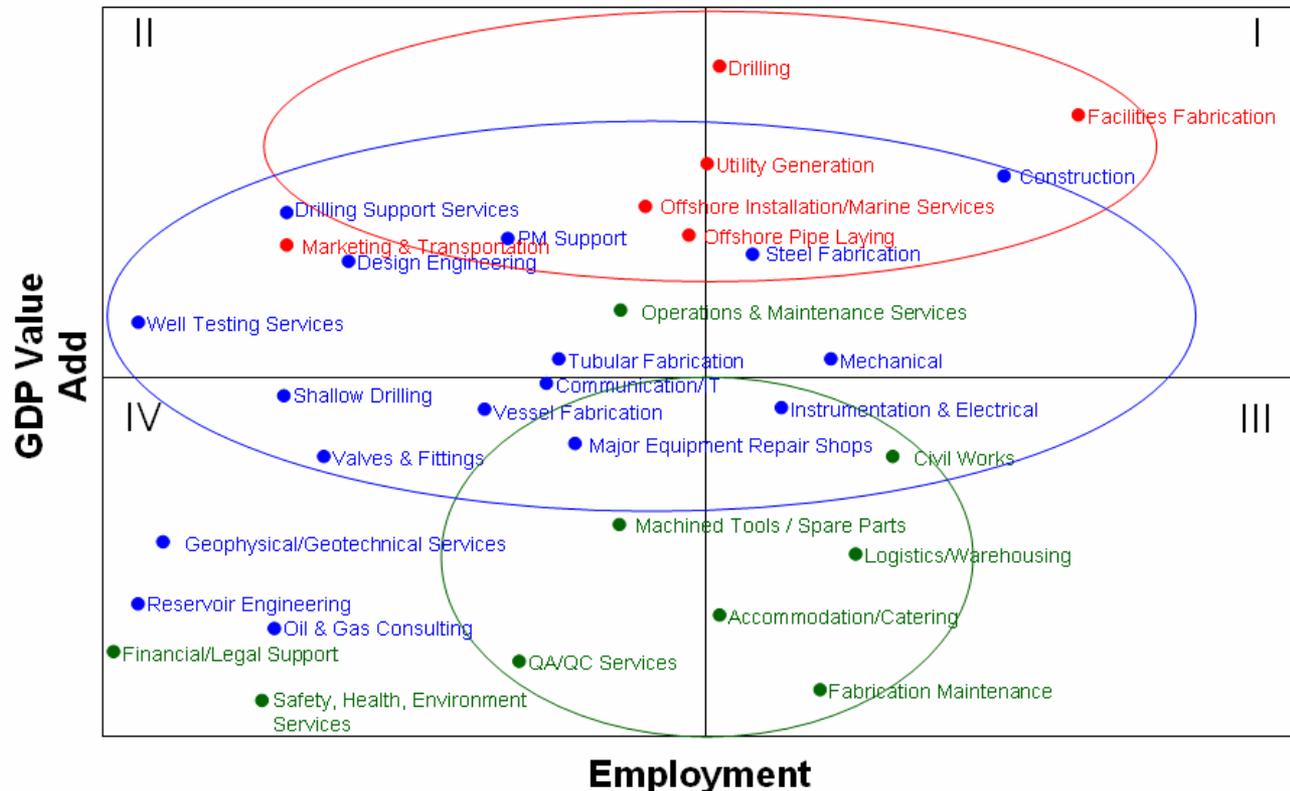
- The timeframe of the various stages
- What can reasonably be provided in the timeframe of interest - analysis of demand for goods & services
- Contact should be made with both IOC's and the Government to understand the potential. Start the lines of communication - don't wait for announcements or tenders.
- Ideas:
 - Insurance services – all Phases
 - Provision of basis requirements for offshore support – fuel, potable & drill water, catering, etc.
 - Telecommunications
 - Transportation services – air, marine



Example of Industry's Viewpoint

ExxonMobil Business Plan Implementation – Value Creation Matrix

ExxonMobil National Content experience spans many decades in operations worldwide



Effort/Investment – Time: Green-Low, Blue-Med, Red-High



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