

Corvelle Service Offering

Cost Reduction Opportunity Evaluation

Corvelle has observed many opportunities to reduce cost and enhance revenue at upstream oil & gas producers.

During times of high commodity prices, management focus is mostly on increasing net revenue and reserves. The low attention to the cost side of operations creates an opportunity, during times of low commodity prices, to increase net income through an increased focus on cost reduction.

This monograph:

1. Describes the Corvelle approach to reducing cost and enhancing revenue.
2. Lists areas in which opportunity to reduce cost and enhance revenue are often identified.

Business value

The opportunity evaluation produces business value in these areas:

1. Cost reductions.
2. Net revenue increases.
3. Asset dispositions.

Audience

Cost reduction will typically interest oil & gas executives in all areas including:

1. Production
2. Exploration
3. Joint Venture
4. Administration
5. Acquisition & divestiture

Advantages of engaging Corvelle

Engaging Corvelle offers the following advantages over using only internal staff to conduct the opportunity evaluation:

1. Cross-disciplinary understanding of the upstream oil & gas business.
2. Experience from conducting similar evaluations at other companies.

Corvelle Drives Concepts To Completion

3. Objective, external perspective.
4. No pre-conceived conclusions, agenda or assumptions about what management may or may not want to consider or hear.
5. No need to protect any particular group, department or individuals from reasonable scrutiny.

Corvelle approach to the opportunity evaluation

Corvelle emphasizes a collaborative approach to identifying and elaborating opportunities. Corvelle avoids having employees feel threatened or criticized during the opportunity evaluation.

The typical phases of the opportunity evaluation are:

1. Initial interviews
2. Rank opportunities
3. Detailed analysis
4. Implementation

Typical opportunity areas

This section lists the high-level opportunity areas that Corvelle consultants use to start the exploration of opportunities.

Cost reduction opportunity areas

1. Reducing production operating costs.
2. Reviewing fees being paid for handling production.
3. Reducing capital costs for major items.
4. Reducing information technology expenses.
5. Reviewing procurement strategies for major items.
6. Reducing general & administrative expenses.

Net revenue increase opportunity areas

1. Increasing netback revenue for production.
2. Increasing alternative sources of revenue.

Asset disposition opportunity areas

1. Selling surplus equipment.
2. Selling or surrendering surplus or non-core mineral leases.
3. Disposing of non-core producing assets.