

- Satellite production and E/F pad impacts \$ 0.750 million
- Total \$ 1.155 million**

Details below,


 RE: F and E PAD
 Production Imp...

The intent, as discussed in the e-mail above is to meet both these challenges within the original \$44.5 million budget for 2002 through judicious program management and optimization. As a consequence of these pressures there is little room for further 'program optimization' however, with careful management of OT and strict closure of programs at completion of work scope it is probable that a revised LE for 2002 of \$44 million is a challenging but achievable target for 2002.

Note, the proposed target of \$44 million is approximately \$0.5 million below the last LE submitted at the beginning to Steve St J and John B., please see below.


 RE: GPB Budget LE
 Update

Further reductions beyond the proposed LE of \$ 44 million will require significant changes to the program scope above and beyond the optimization opportunities which will allow us to deliver the \$44 million discussed above.

In order to deliver substantial costs in the second half of 2001 then major changes to the major elements of the CIC's programs would be required. The major drivers for the program are,

- | | |
|--------------------------------|--|
| Amount of in-service equipment | Drives inspection activity
Drives monitoring activity |
| Fluid composition and rates | Drives chemical activity |

Below are a list of options from within the CIC budget, each of which will deliver approximately \$1 million if implemented in the second half of the year. In summary,

- Inhibition Program Reduction 8%** Reducing second half inhibition rates by approximately 8%, while it is difficult to estimate this associated corrosion rates, based on past years for a 10% change in inhibition rate there would be an approximately 30% increase in corrosion rates in flow lines and well lines
- Internal Inspection Program Reduction 30%** Reducing the inspection program in the second half of the year by 30%, moving from approximately 9 to 6 crews, would reduce the 2H inspection scope by about 10,000 items. The obvious concern here is with impacts/perceptions of ORT and possibly PACE.
- External Corrosion Inspection Reduction 40%** Reducing the external inspection program by 40% yield a new 2H scope of 10,000 versus the planned 17,500 for a total of 28,000 items as opposed to the 35,000 commitment to both partners and ADEC. In addition to the ORT perception impacts and ADEC, there is also the issue of partner perception since partners were concerned that money for external corrosion would be diverted once agreed.

Detailed calculations for the above options are contained in the attached spreadsheet. It should be noted that some gross assumptions about average unit costs have been made in order to arrive at the above estimates.


 2002 Budget
 Options.xls (51 KB...)

The above options reflect action being taken within the CIC Group. There are an option which could be taken by

Operations/Production which would impact our budget directly, in summary,

- **Reduce Water Rates** Shutting-in the 30 most expensive wells across the field would reduce 2H 02 expenses by approximately \$3 million in corrosion inhibition costs - see e-mail exchange below. This data is a little out of date, but, it is save to assert that a \$1-2 million could be removed with the shut-in of the appropriate suit of wells **provided** that this production was not repalced elsewhere in the field.

_____]

RE: Vol vs exp

If you need any additional information on the items discussed above please let me lknow.

Thanks.

Richard.