Oil & Gas Major Accurately Assesses Operating Costs for Planned Offshore Field Development

Operator uses OpEx Estimator tool to confidently allocate future operating expenses, determine timeline for asset abandonment, and evaluate cost of establishing an onshore base.

**CHALLENGE**

A major oil & gas company needed a more effective tool to estimate operating expenditures for a new offshore field development.

**SOLUTION**

The New Projects OpEx Estimator Tool offered the client the data access it needed to generate an accurate project net present value.

**RESULTS**

The client was able to accurately estimate OpEx for the planned field development project and have much greater confidence in OpEx planning.

**Seeking answers for field development project costs**

A major oil and gas company was using an internal tool to estimate its operating expenditures (OpEx) for a new field development project in South America. The tool made cost projections using cost data from some of the company’s own operations. However, the company was uncertain if the estimates were correct, as they did not have sufficient data for the type of operation and the region represented by the project. Knowing that Solomon had benchmarked offshore facilities worldwide and had an extensive database of cost data, the client asked Solomon for help. Solomon proposed the client use the New Projects OpEx Estimator Tool to create an accurate project estimate.

**Client calculates project OpEx with high confidence**

The forecasting and simulation tool allowed the client to tap into Solomon’s insight from over 30 years of global benchmarking studies covering more than 5,000 oil and gas fields worldwide. By feeding the tool updates on technical configurations, reservoir data, production data, and logistics operations, the client evaluated cost optimization areas based on P10, P50, and P90 resources.

**The challenges of calculating, planning OpEx**

OpEx for field development projects today accounts for up to 50% of the accumulated cost of producing a barrel of oil. OpEx is much more difficult to assess because the cost is spread out over several decades, and can grow dramatically as aging infrastructure and field assets require maintenance in a project’s later years.
Despite the need for a tool that can generate accurate project net present value, such tools are limited to estimating OpEx as a percent allocation for a proposed capital expenditure (CapEx) budget. On the other hand, tools to estimate CapEx are more widely used. CapEx is a relatively short-term investment period, where spending is normally locked in within 3 to 5 years.

**Access to data, insight creates more accurate estimate**

By using the OpEx tool, the client was able to allocate future annual OpEx costs with more confidence to the major cost categories and performance drivers, which include labor, transportation, energy, well servicing, chemicals, surface repair and maintenance (SRM), and field general and administrative costs.

The client also used the tool to more accurately estimate the cost of establishing a shore base, as well as evaluate staffing levels, justify future CapEx investments, and optimize OpEx allocation for overhead costs.

By using the tool, the client was able to determine the planned project’s optimized operational outcome, ascertain the actual cost level as the asset matures, and obtain a reliable forecast of when to abandon the asset.

**Leveraging Solomon’s data and methodology**

Over the past 30 years, Solomon has provided production operations benchmarking services to a broad range of operators, in a variety of departments (operations, finance, corporate planning). Solomon has utilized this experience to develop the OpEx tool to provide companies the standardized data and trustworthy performance assessment methodology they need.