

COMMENTS FROM ALLEN VERRET
AT CLOSE OF FIRST DAY OF FPSO GLOBAL WORKSHOP

1. The Deepwater Arena is unforgiving and requires that you plan ahead
 - a. Fixing" the systems and sub systems like shelf facilities have been routinely done will not work in deepwater projects.
 - b. Modifying the systems to tailor it for specifics can be expensive and time consuming.
 - c. Flow rates and recovery volumes can be significantly higher then shelf production.
 - d. Projects are characterized by large expenditures, high early cash flow.
 - e. Production uptime is critical on high volume facilities.
 - f. Risks are significant and mistakes can severely impact an operator that is under capitalized.
 - g. GOM Shelf has 40% of Production & 98.7% of facilities GOM Deepwater has 60% of Production and 1.3% of facilities.

2. Deepwater Prospects are viewed as long term developments and "area" in nature in lieu of "prospect" centered as on GOM Shelf.

New development facilities, once thought to be more mobile and flexible are now seen as being more site specific especially in mooring and riser requirements.

Operators re-thinking "mobility" and full cycle time of facility at a specific location.

Regulators concerned about conservation issues and "maximum" economic recoveries.

3. Personnel issues continue to press operators. Operational experience/training/ competency issues will be dramatically different than classic GOM shelf fixed platform facilities.

Development tools grow more complex and multiple facilities on shelf are being replaced by large deepwater facilities that concentrate personnel and hardware.

4. Regulatory overlap between the two dominate agencies continue to cause problems but the issue is being addressed by dedicated internal resources of the USCG and the MMS.

Early dialog between developer and agency can provide valuable benefits and reduction of potential risk to schedule.

5. Contracting strategy is very important in the large CAPEX intensive projects that can dominate the early phase of prospect development.

Important that the operator/owners contracting strategy takes into consideration existing corporate culture, operating personnel experience and expertise and capability.

Operating deepwater facilities is not for the faint of heart!

Various options other than "low bid" are frequently required in order to make schedule and obtain a properly designed facility.

Interrogation of Marine/process/offloading systems during design, construction, installation and operations is critical as are the interfaces to the marine and process systems.

6. Have we missed "societal" acceptance issues in our rush to monetize the resources?????

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