



Integrated Project Teams (IPT)

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**OTC Paper 17783
Changing Dynamics in Deepwater Ownership**

Commercial & Equity Arrangements for Exploration Activities



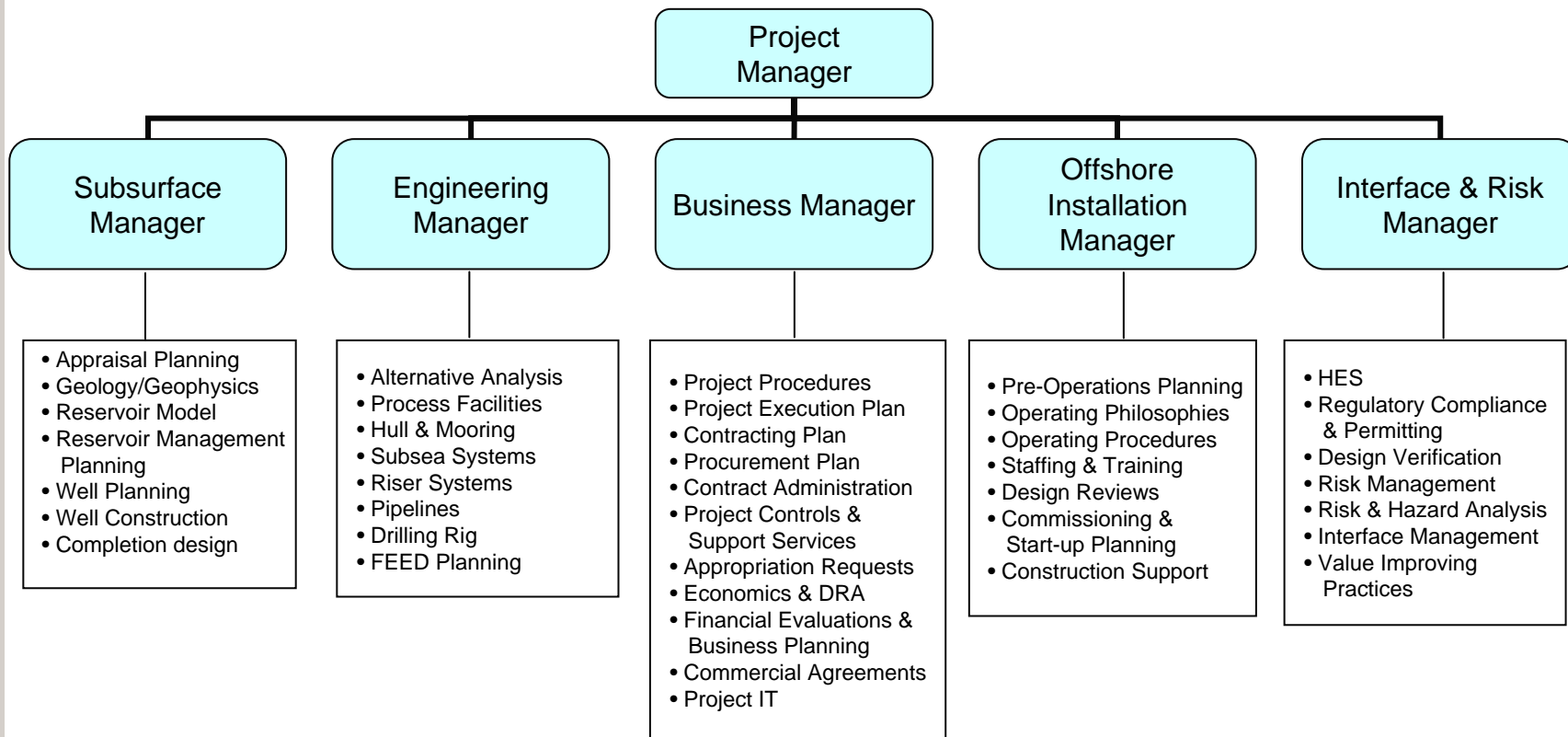
Although often viewed as a means of cost reduction, equity arrangements offer other significant benefits.....

- Portfolio risk management
- Access to key resources, such as drilling rigs for ultra-deep water
- Alignment with partners of like interest and drivers in a particular lease area
- Ability to bring in partner's with specific technical or project experience
- Gaining access to data that may aid in the evaluation of other opportunities

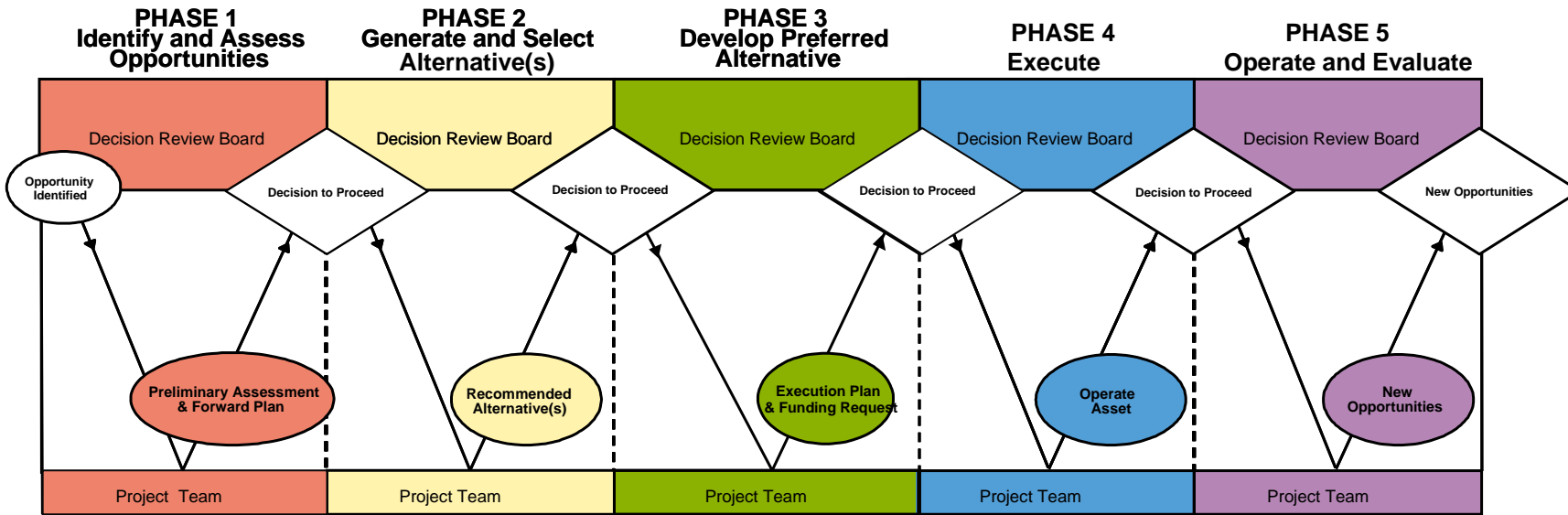
IPT Philosophy

- To date, all Chevron deepwater GOM projects have been executed using IPT's
- IPT's are typically formed upon entering the concept select phase (Chevron's CPDEP Phase 2B)
 - Specific deliverables include creating a development plan
- Continue IPT through FEED and project execution phases
- Encourage active partner participation
 - Nomination process to fill open positions

Typical Chevron Integrated Project Team (IPT) Organization & Responsibilities



Phase Gate Process (Basic Roadmap)



CPDEP – Chevron Project Development and Execution Process

IPT Philosophy (non-operated prospects)



Why should it be any different?

- Participation is critical, particularly during the concept select phase, i.e. development planning
- Opportunity to influence development planning to maximize value
- Level of IPT involvement during later phases (FEED & Execution) may be influenced by the Operator's past experience in managing deepwater projects, your own staffing needs, and a sense of general partner alignment

IPT – Pros & Cons

So what are the advantages?

- Leverage experience and technical expertise of partners
- Aid in establishing partner alignment
 - typically reduces cycle time associated with key decisions and AFE approvals
- Personnel for staffing
 - Key positions filled from larger resource base
- Better solutions via the diverse experiences that partners bring to the IPT

And for every benefit there is a challenge to overcome.....

- Technology development
 - intellectual property rights
- Proprietary information
- Partner's project management processes (phase gates and internal reviews) misaligned with the Operator's process
- Different risk tolerances / value drivers
- Company bias towards specific concepts or technologies
- Individual agendas

Summing it up.....

As the industry continues moving toward ultra-deep water, the challenges grow and compound.....

- 10,000 foot water depths
- 30,000 foot plus vertical depth wells
- 15,000 psi plus shut in pressures at the seafloor
- Low permeability reservoirs

Any one alone can represent an obstacle to cost effective development however the industry is now exploring in fields where several of these challenges are present

The diverse experience and expertise represented in the joint ventures and IPT's will be critical in finding efficient means to developing these challenging fields.