How to Increase Efficiency and Reduce Costs in Operations

The fall in oil prices is forcing oil and gas companies to reduce operating costs and rationalize investment budgets, while maintaining production performance and development targets. Many efficiency programs focus on reducing short-term expenditures by minimizing inventories, postponing maintenance, deferring projects, and cutting discretionary spending. While such measures are useful, they are difficult to sustain long term and are simply maintaining the status quo, not creating an operational gain or performance readiness for when the crisis is over. Worse, deep cuts in maintenance and production budgets can damage asset integrity, reduce production reliability, and lead to the irretrievable loss of competitive advantage and capabilities.

Organizations must respond to market changes. Therefore, current efforts to maintain margin and focus on cost optimization are vital. However, such efforts should be sustainable and should not compromise an organization’s long-term targets and strengths.

While working leaner is a given in times of austerity, working smarter is a long-term vision that can position your company for continued success when the market turns again.

Halliburton Consulting’s Performance Improvement Practice has global experience in leading operational efficiency initiatives for some of the world’s largest oil and gas companies.

Halliburton Consulting’s experts come from engineering, operations, and business backgrounds, and they focus exclusively on the oil and gas industry.

Halliburton Consulting has industry-leading technology applications across the entire upstream value chain.

Halliburton Consulting uses a well-proven, robust, and disciplined approach to opportunity portfolio evaluation and solution development, based on client’s strategic objectives.

Halliburton Consulting has unrivaled experience in executing front-line performance improvement and change programs.

Facing Profitability Challenges

To create a sustainable performance improvement initiative, Halliburton Consulting identifies and develops a clear understanding of an organization’s value drivers and analyzes external market forces, competitive landscape, and industry best practices. We focus on three critical cost levers (technical and operational, financial, and strategic) to identify initiatives that will generate maximum impact.

Halliburton Consulting can help operators develop and implement a sustainable optimization initiative to reduce costs and boost efficiency while positioning them for long-term success.

Why Halliburton?

- Halliburton Consulting has global and local experts in all aspects of upstream operations; from exploration through field development, production facilities, and marketing—the entire E&P value chain.

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Technical and Operational Improvement Levers

**Halliburton expertise:**

- **Business process rationalization**—We focus on process and resource rationalization based on better planning and cross-functional coordination. We determine how sharing activities and resources between departments can reduce costs. Finally, we employ lean methodologies to focus on issues that can quickly deliver results.

- **Logistics rationalization**—We assess your logistics and find ways to maximize efficiency. We identify opportunities to optimize sourcing and capacity, and then create visibility throughout the logistics value chain.

- **Facilities cost management**—We understand both technical and business cost drivers of your facilities and how these drivers interact. We can find opportunities that will increase cross-facility integration and reduce operational and maintenance costs.

- **Well cost management**—We use our subsurface technical expertise to help clients identify design and operational optimization opportunities, including cost reduction and production enhancement opportunities.

**Benefits:**

- Increased efficiency from existing personnel and resources through process streamlining.
- Reduction of nonproductive time (NPT) associated with supply shortages and misinformation.
- Net present value (NPV) maximization through optimization at every step of the value chain.
- Reduction of trial and error associated with the introduction of new technology applications.

**Financial Improvement Levers**

**Halliburton expertise:**

- **Working capital management**—We apply a holistic approach to manage end-to-end processes that influence working capital requirements, allocation, and performance. We can also help you reduce your inventory requirements and costs.

- **Capital expenditure rationalization**—We analyze your capital expenditure (CAPEX) plans and projects portfolio from business and technical points of view, covering interdependencies and impact on short- to long-term goals and operational and technical needs. Then, we identify opportunities to rationalize, minimize, or defer CAPEX commitments and focus on priority projects.

- **Supplier and procurement analysis**—We analyze your spend patterns and current spend and find ways to rationalize and consolidate them. We analyze your supplier list, procurement and contract practices, and then identify opportunities for building scale and consolidation—increasing your bargaining power and cutting contract costs.

**Benefits:**

- 5 to 10% improvement in working capital efficiency
- Consolidation of suppliers to drive cost reduction and efficiency improvements
- Improve prioritization of CAPEX allocation through rigorous NPV-focused approach

**Strategic Improvement Levers**

**Halliburton expertise:**

- **Strategic outsourcing**—We assess, from both technical and business perspectives, your strategy and capabilities to find cost-reduction opportunities through strategic outsourcing.

- **Operational model realignment**—We evaluate the “ways of doing business” to help ensure current processes and structures are aligned to the new circumstances, developing a sound, lean operation at the lowest production costs.

- **Portfolio optimization**—We have the necessary expertise to conduct technical and operational analysis of your asset portfolio. We can help you identify and define an optimal asset portfolio that takes into account your financial and operational constraints but also pays attention to long-term plans and assets' strategic value.
**Benefits:**
- Increased focus on core competencies and improved control of costs associated with outsourced functions.
- Streamlined operational model focused on market priorities.
- Cost-efficient determination of portfolio priorities.

**Design and Implementation**
Halliburton Consulting utilizes a robust and well-defined methodology to identify and select cost levers that will generate maximum impact. Technical and business capabilities are used to design a realistic performance improvement initiative with minimal impact on headcount.

Swift and clean implementation of a plan is imperative to realizing the full benefit of cost reduction initiatives. Halliburton Consulting mobilizes dedicated business and technical experts who can execute a plan for short- to long-term cost reduction. In addition, Halliburton Consulting can provide support for project and change management, risk identification and mitigation, clear and objective key performance indicators (KPIs), and a benefits tracking mechanism.

Depending on the organization’s needs, priorities, and urgency, a range of cost reduction solutions can be quickly implemented with project benefits being realized within weeks of initial implementation.

If you are interested in finding out more about how Halliburton Consulting can help you meet your operational targets in today’s difficult oil price environment, please contact us at cpm@halliburton.com

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