



*The Well Services Contractors Association
Business, Investment & Confidence Report 2009*

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Executive Summary

Introduction

The 'Well Services Contractors Association Annual Investment & Confidence Report 2009' highlights a variety of financial and non-financial aspects of Well Services business and is compiled by an independent body. It shows trends within the sector and draws conclusions for the future health of the Well Services sector.

Conclusions

- ❑ Revenue, gross profitability and percentage gross profitability have all evidenced significant falls since 2007.
- ❑ The perceived degree of alignment between WSCA members and their clients has significantly declined this year, to the point where it is now perceived negatively for the first time since 2005.
- ❑ Optimism in the sector is rated negatively for the first time since 2005.
- ❑ UK New Capital Investment is forecast to fall by 58.8% from 2007 to 2009.
- ❑ UK New Technology Spend is forecast to fall 52.7% over the same period.
- ❑ Resource flight of people is being evidenced with the percentage of UK based staff used for international operations at its highest level since 1997.
- ❑ Safety performance compares favourably with both UK Offshore and general Industry performance.
- ❑ The perception of client support for the development of new technologies has reduced this year but is still at a historically high level and is viewed positively.
- ❑ Many industry initiatives continue to be recognised by WSCA members as being important but not effective for the well services sector.
- ❑ WSCA members show a strong desire to use standardised approaches to the delivery of Well Services business that should help to reduce waste and duplication within the industry.



Financial Data

Figure 1: Gross UK Revenue

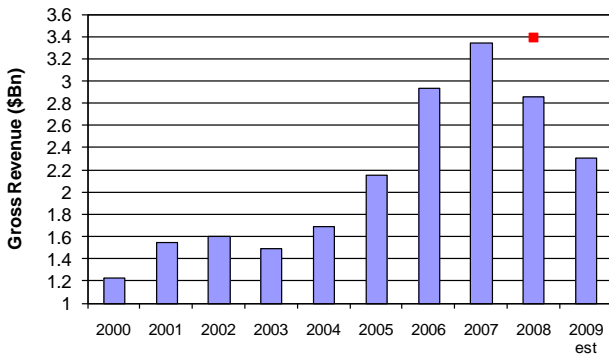
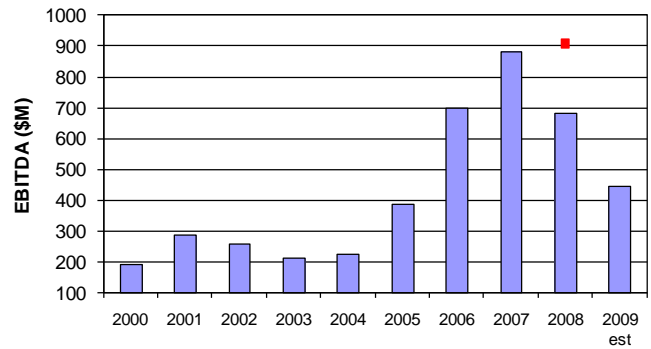
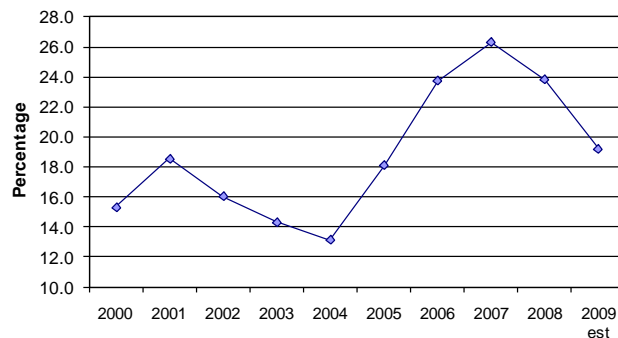


Figure 2: UK EBITDA



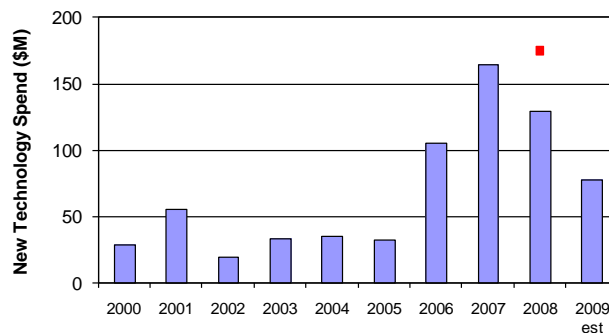
- ❑ From its high in 2007, UK revenue is anticipated to fall by over \$1.0Bn or 31.1% through to 2009.
- ❑ In the same period, UK EBITDA is estimated to fall by 49.6% (or \$437.9M).

Figure 4: EBITDA as percentage of revenue



- ❑ In percentage terms, as well as in actual Dollars, the gross profitability of the Well Services sector is declining rapidly.
- ❑ UK new capital investment is forecast to fall by 58.8% from 2007 to 2009.

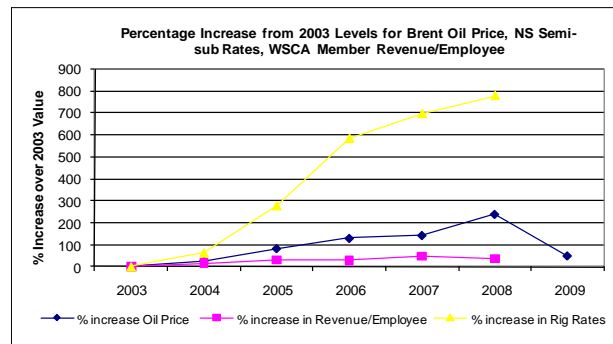
Figure 6: UK New Technology Spend



- ❑ UK new technology spend in 2009 is forecast to be over 52% down on 2007.



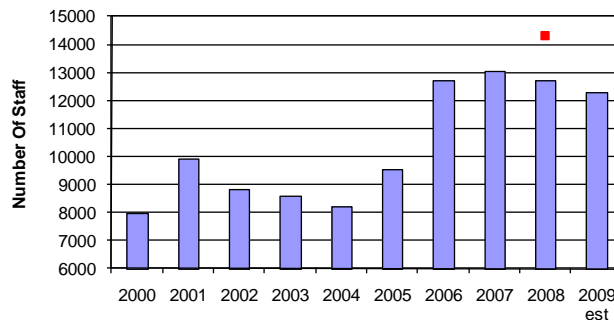
Figure 8: Comparison of selected cost inflation drivers



- ❑ Figure 8 shows the Well Services sector has not been a major contributor to the general cost inflation seen across the industry.

Industry Resources

Figure 9: Number of UK employees

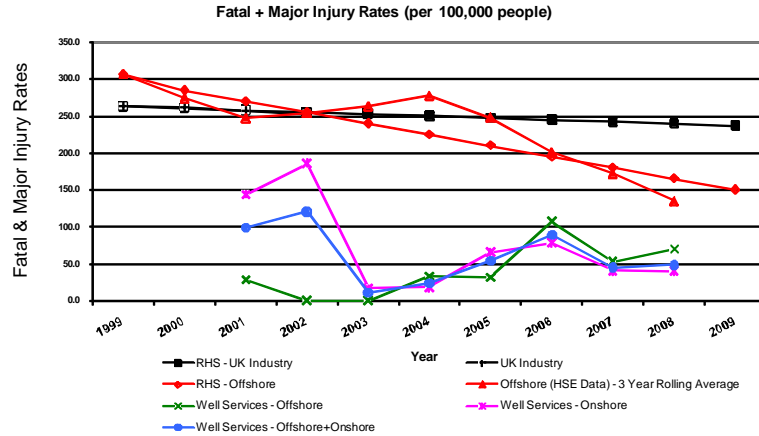


- ❑ WSCA members employed 1,592 fewer people in the UK in 2008 than anticipated.
- ❑ Worldwide staffing actually exceeded its forecast level for 2008 by 1,880 people and increased by 28,852 from 2007 to 2008.
- ❑ Worldwide, WSCA members employed over 250,000 people in 2008.
- ❑ At 28.7%, the percentage of UK based staff used for international operations is at its highest level since 1997, suggesting that UK based people are being sent to work in busier (or more profitable) parts of the world.
- ❑ Graduate employment is down 22.8% from 2007 to 2008 and the number of technicians employed has declined by 29.4% over the same period.
- ❑ Industry spare capacity has been rising steadily since 2006, and is now estimated to be 13.2%.



Safety

Figure 17: Fatal and major injury rates per 100,000 people



- ❑ WSCA member companies continue to be highly committed to the Industry's Step Change in Safety initiative and as in 2007 had no fatalities in 2008.

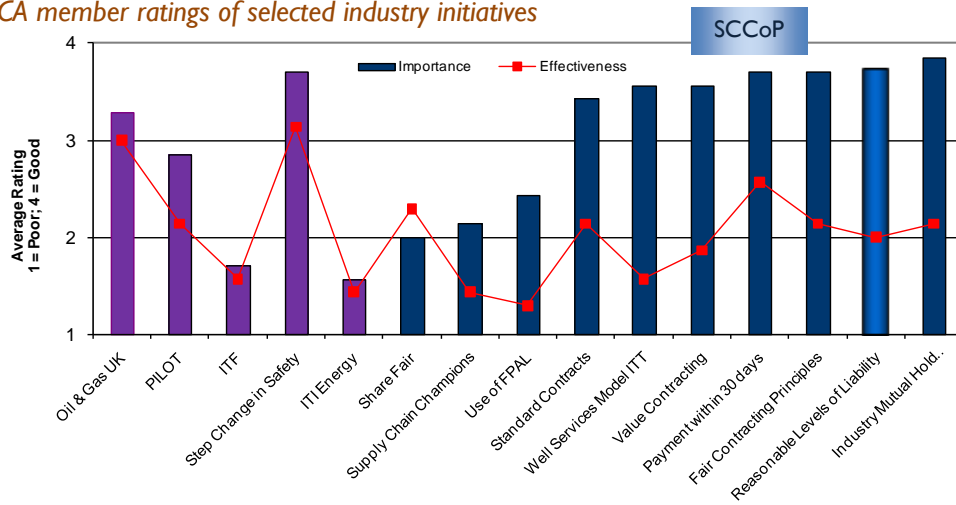
Operational Issues

- ❑ Only 17% of WSCA members experienced increased demand for their services in 2009, a fall of over 60% from last year.
- ❑ 17% of members indicated suffering from a shortage of skilled staff but 43% reported difficulties in recruiting skilled staff.
- ❑ No WSCA members think either the safety or environmental requirements they have to work with have a detrimental operational effect.
- ❑ 57% of members said that the current 'credit crunch' was having no impact on their ability to access capital.



Government / Industry Initiatives

Figure 19: WSCA member ratings of selected industry initiatives



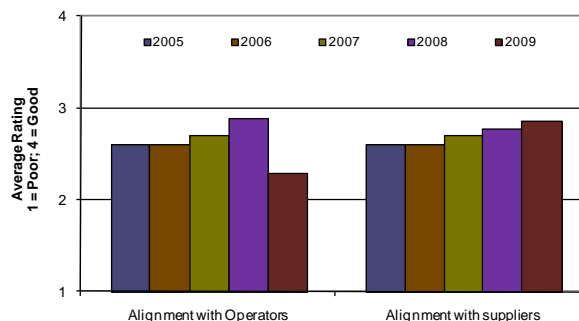
- ❑ All supply chain code of practice initiatives increased in importance from 2008 to 2009 but this was not mirrored by the ratings of their effectiveness.
- ❑ Many important initiatives are perceived as ineffectual to the well services sector.

Delivering the WSCA Mission

Gaining recognition for technology

- ❑ Whilst the rating of client support for the development of new technologies has fallen back this year, it is still at a historically high level and is viewed positively.
- ❑ WSCA member rating for clients' use of existing value adding technologies continues to fall. What was once perceived as the most positive of these three areas is now rated the lowest.

Figure 21: Alignment of objectives with Operators and Suppliers



- ❑ Alignment with Operators has significantly declined this year. It is now perceived negatively for the first time since 2005.



Challenging barriers to maximising the recovery of UKCS reserves

- ❑ The main theme that emerged here was that of the existing UK fiscal regime.

How can more efficient processes be achieved?

- ❑ The main theme that comes out of this area is a desire to use standardised approaches that should help reduce waste and duplication within the industry.

Sector Improvements/Achievements

What do you think has improved for the Well Services sector over the last 1-2 years?

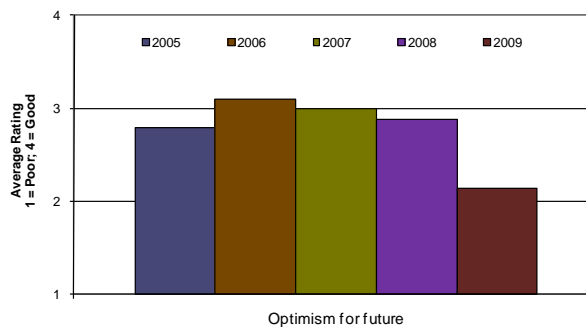
- ❑ Responses to this were much more negative than in previous years with the main improvements being the growth in deep water opportunities, improvements in HSE and service quality.

Future Issues

Degree of optimism about the future of the UK Well Services industry

- ❑ Figure 23 shows optimism for the future of the UK Well Services industry is rated negatively for the first time since 2005.

Figure 23: Degree of optimism about the future of the UK Well Services industry



- ❑ The main issues anticipated to impact the sector over the next three years centred on people issues and the sector's ability to emerge effectively from the current slump.



Methodology

As in previous years, a standard questionnaire was distributed to all WSCA member organisations. The information gained was collated and combined to produce an overall view of how WSCA member organisations view the current and future status of their sector.

The report is split into seven sections and includes both qualitative and quantitative ratings of specific issues of most concern to the Well Services industry. The seven sections are:

1. *Financial Data*
2. *Company Resources*
3. *Operational Issues*
4. *Safety*
5. *UK Government/Industry Initiatives*
6. *Delivering the WSCA Mission*
7. *Sector Improvements/Achievements*

Of the seven member organisations that were requested to supply data, all completed and returned the questionnaire. All financial and resource data is comparable with previous years' reports. The participating organisations were:

- | | |
|---|---|
| <input type="checkbox"/> Baker Hughes Ltd | <input type="checkbox"/> Halliburton Energy Services |
| <input type="checkbox"/> BJ Services Company (UK) Ltd | <input type="checkbox"/> Schlumberger Oilfield Services |
| <input type="checkbox"/> Expro North Sea Ltd | <input type="checkbox"/> Weatherford UK Ltd |
| <input type="checkbox"/> Franks International Limited | |

All of the 2008 data and the estimated 2009 figures were supplied by WSCA member organisations from their own internal sources. All graphs continue to have a baseline of the Year 2000 to give trends since the turn of the century.

Safety performance information was provided by the WSCA based on monthly safety reporting by the WSCA members.



Financial Data

Figure 1: Gross UK Revenue

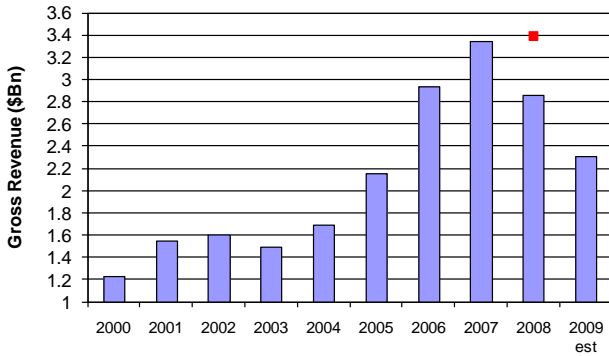


Figure 2: UK EBITDA

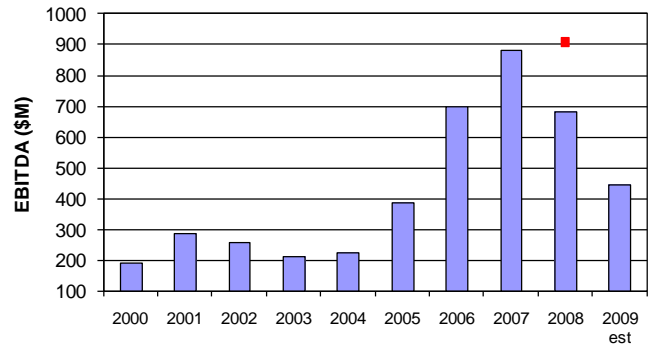


Figure 1 shows that the anticipated rise in UK revenue (shown by the red marker) did not happen in 2008, with revenue actually falling by \$493M across the WSCA members. UK revenue is expected to fall by another \$548M in 2009, which equates to a total anticipated fall in revenue from 2007 to 2009 of \$1.041Bn or 31.1%.

From Figure 2, the trend in UK EBITDA echoes that of UK revenue, which also failed to hit its anticipated levels in 2008 (again shown by the red marker). EBITDA is estimated to fall by 49.6% (or \$437.9M) from 2007 to 2009. These figures obviously have a major impact on companies gearing up people for an anticipated rise in business, only to be hit by major unforeseen reductions.

Figure 3: UK revenue & EBITDA

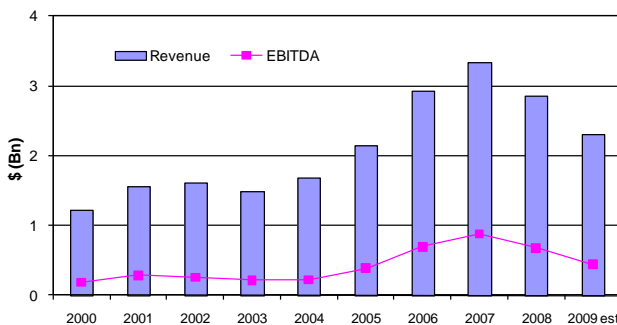
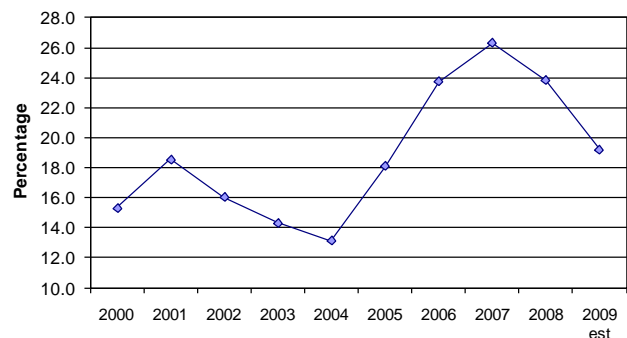


Figure 4: EBITDA as percentage of revenue



Figures 3 and 4 show how EBITDA varies in comparison with gross revenue. In percentage terms, as well as in actual Dollars, the gross profitability of the Well Services sector is declining rapidly. With both revenue and profitability declining rapidly, WSCA members are addressing their cost base to remain competitive. This is, however, very difficult to do in a market where activity levels are driven by an oil price that has fluctuated so much in such a short space of time.



Figure 5: UK New Capital Investment

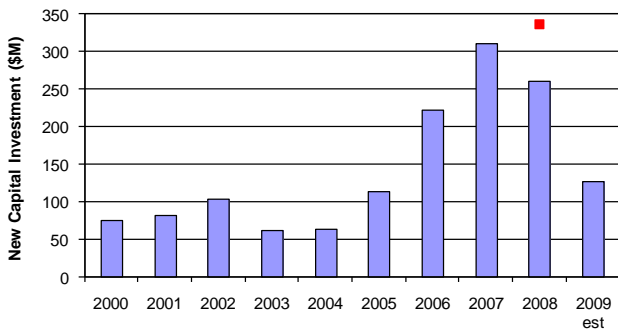
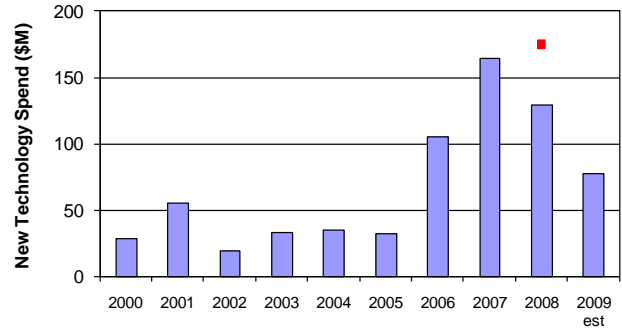


Figure 6: UK New Technology Spend

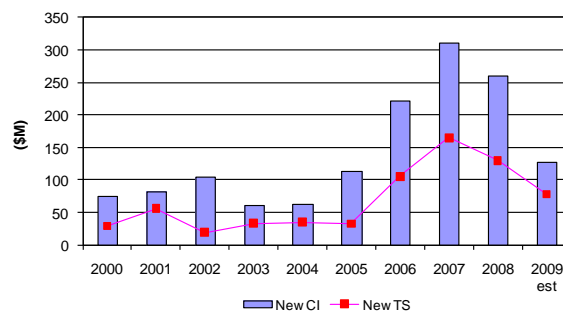


The increasing trend in New Capital Investment (NCI) evidenced up to 2007 in Figure 5 has dramatically reversed. UK NCI shrank to \$260M in 2008 and is forecast to fall by 58.8% from 2007 to 2009.

Figure 6 shows the trend in UK New Technology Spend (NTS) since 2000. The slowdown in new capital investment is echoed by the fall in new technology spend. Actual UK NTS in 2009 is forecast to be 52.7% down on 2007. NTS in the UK is responsible for 17.7% of member revenue and so this contraction in investment will be likely to have a significant impact in total revenue in the coming years.

In times when the sector made record levels of revenue and profitability, it invested at record levels. The contraction in revenue and profitability to circa 2005 levels has also seen UK new capital investment contract to approximately 2005 levels. Interestingly, in percentage terms of NCI, new technology spend remains high suggesting that even in tight times WSCA member companies recognise the value attached to investing as much as possible in new technology, a conclusion emphasised in Figure 7. In 2008 18.2% of revenue (or \$520M) was generated from the use of new technology. In 2009, this figure is forecast to fall to \$409M.

Figure 7: NTS in relation to NCI



From Figure 7 we see that NTS is forecast to be 61% of NCI in 2009, its highest level in percentage terms since 2001, supporting the observation of continued investment in new technology in a difficult market.



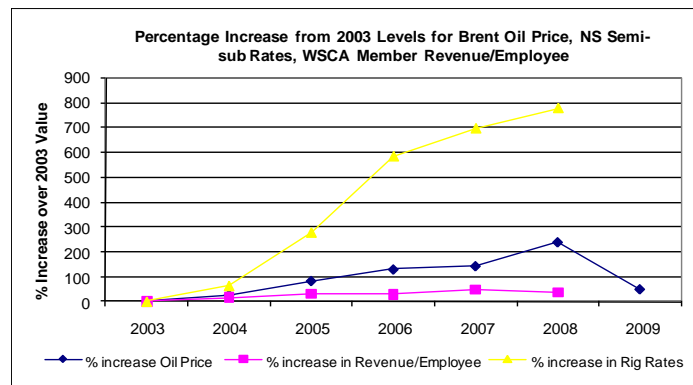
Cost inflation/pressure on pricing

The recent low oil price has resulted in Contractors being put under strong pressure to reduce pricing. Examination of the Oil & Gas UK 2008 Activity Report and the WSCA Annual Investment and Confidence Report 2008 shows the Well Services sector has not been a major contributor to general cost inflation seen across the industry.

'Revenue/Employee' in the sector has increased by 36.9% in the five years since 2003, representing an annual compound rate of less than 6.5%. This is far less than the oil price increase in the same period, assuming an average oil price of \$50/bbl for 2009. Some of this increase in 'Revenue/Employee' has been due to better utilisation of staff as the industry became busier so underlying inflation is below 6.5%/annum.

Figure 8 shows the percentage increase in the Brent Oil Price, North Sea semi-sub day rates (both from Figure 11 in the Oil and Gas UK 2008 Activity Survey) and the Revenue/WSCA Member Employee (WSCA Annual Business, Investment and Confidence Report 2008) over the period 2003 to 2008.

Figure 8: Comparison of selected cost inflation drivers





Industry Resources

Figure 9: Number of UK employees

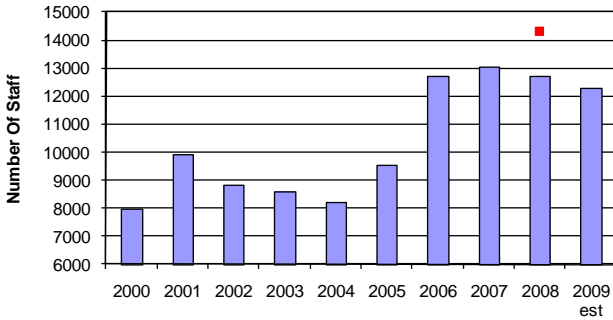


Figure 10: Number of worldwide employees

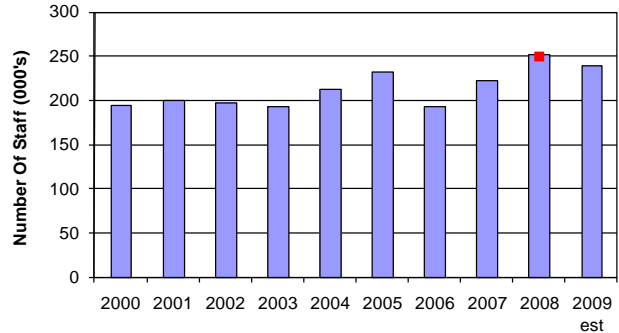


Figure 9 shows a tailing off of employment in the UK Well Services industry and highlights the downturn in forecast employment levels in 2008, as shown by the red marker. WSCA members actually employed 1,592 fewer people in 2008 than had been anticipated and actual employment levels have fallen by 324 from 2007 to 2008. Doubt was cast last year on the sector's ability to hit the forecast employment figures for 2008 and this prediction has now been evidenced.

In contrast to UK employment, worldwide staffing actually exceeded its forecast level by 1,880 people and increased by 28,852 from 2007 to 2008. Worldwide, WSCA members employed over 250,000 people in 2008.

Figure 11: Average percentage of UK employees utilised for international work

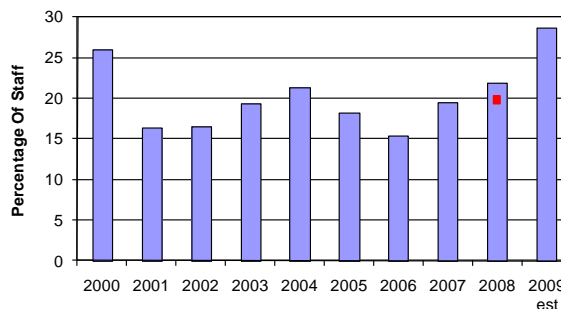
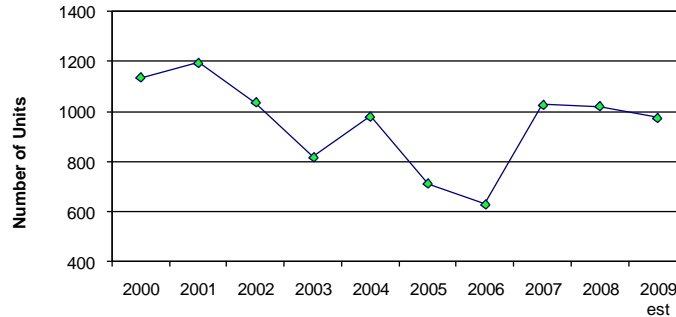


Figure 11 shows the percentage of UK based staff used for international operations has now hit 28.7% (its highest level since 2001) and has exceeded the forecast levels in 2008. This, coupled with the fact that the proportion of UK employees as a percentage of the worldwide total fell from 5.85% in 2007 to 5.05% in 2008 highlights the fact that UK people are being sent to work in busier (or more profitable) parts of the world.



Whilst this is good in the short term for UK based operations, as it helps alleviate cost pressure, it is always harder to get people to return to the UKCS once they have been overseas. Overall, 1,390 people left WSCA members in 2008, a 17.9% rise over 2007.

Figure 12: Number of units of equipment on the UKCS



The number of equipment resources on the UKCS has fallen by 4.3% from 2008. Given the reduction in revenue, it would be reasonable to expect the reduction in equipment levels to be much greater. The fact only a small decrease has been evidenced is a likely indication that equipment is not being redeployed away from the UKCS, as there is nowhere else with sufficient activity to redeploy it to.

Figure 13: Number of graduate engineers and technicians

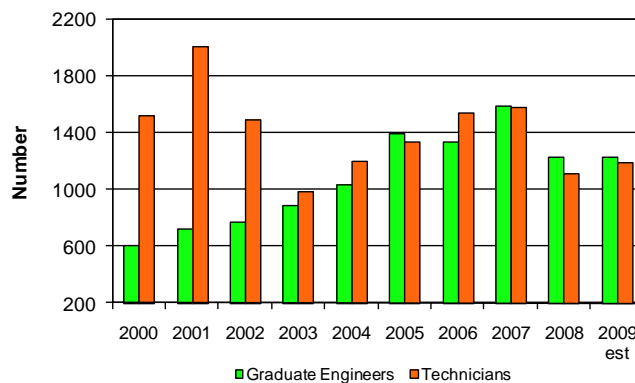
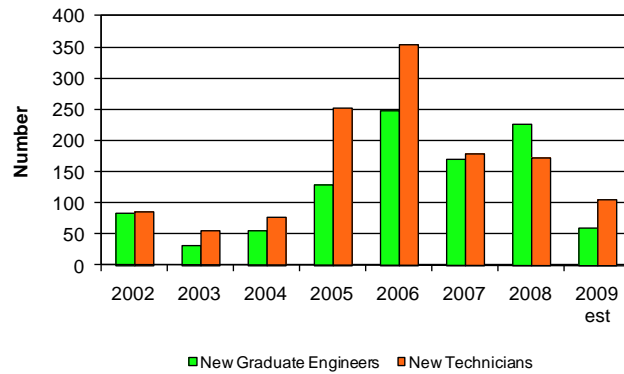


Figure 13 demonstrates that the strong rise in graduate employment evidenced since 2000 has halted with graduate numbers down 22.8% from 2007 to 2008. The number of technicians employed has also declined with numbers 29.4% down from 2007 to 2008.



Figure 14: Number of **new** graduate engineers and technicians



In terms of future graduate and technician employment, the picture in 2009 is bleak. Graduate employment in 2009 is expected to be a massive 73% down on 2008. The number of new technicians employed in 2009 is expected to be 39.3% down on 2008.

Industry spare capacity has been rising steadily since 2006, and is forecast to be 13.2% in 2009. A slowdown in future growth was predicted last year but the speed and intensity of this slowdown has been dramatic, resulting in increased spare capacity, even taking into account the push to move resources to other parts of the world.



Safety

The WSCA records the safety performance of its member companies in their offshore and onshore operations and compares the aggregates with the wider offshore industry and UK industry in general, based on the Government's RIDDOR definitions. Figures 15 and 16 show the comparisons for the 'Major Injury' and '3 Day Injury' categories. As in 2007, WSCA members had no fatalities in 2008.

Figure 15: Major injury rates per 100,000 people

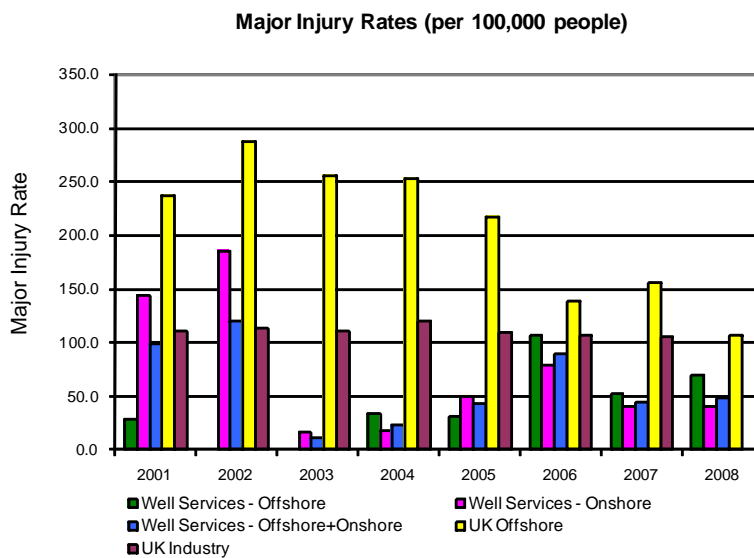
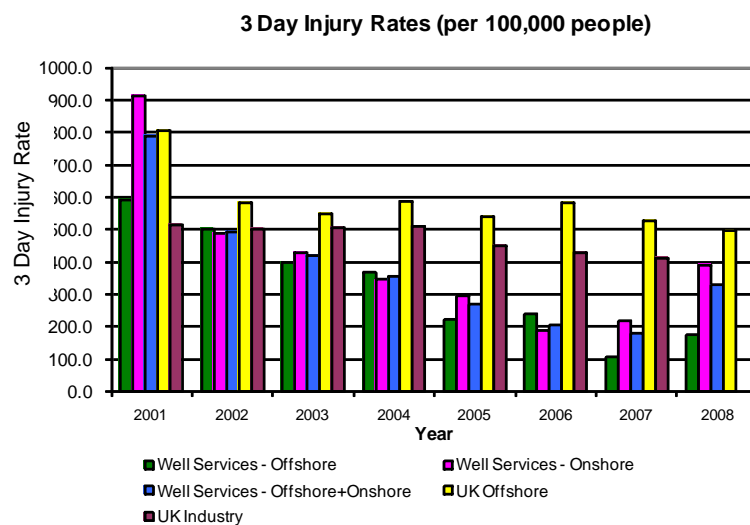


Figure 16: Three day injury rates per 100,000 people

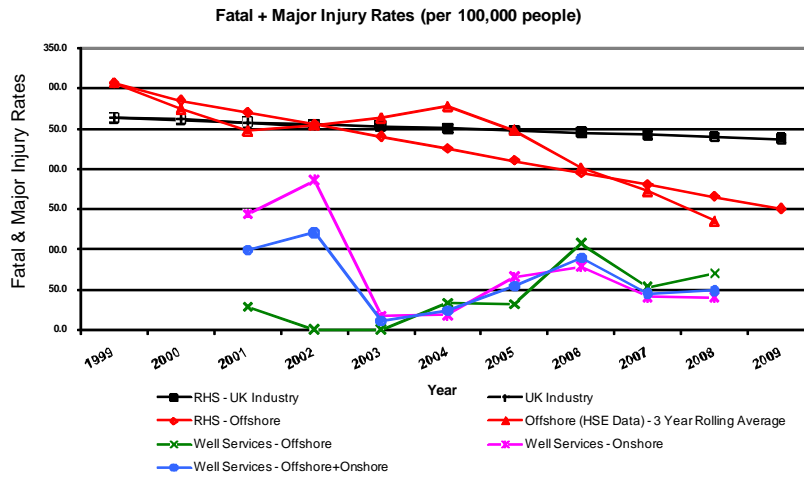


In 2000, the UK Government introduced its 'Revitalising Health and Safety' initiative, one of its objectives being a reduction in the 'Fatal and Major Injury' category.



Figure 17 shows WSCA member aggregate safety performance in relation to the UK offshore and general industry targets.

Figure 17: Fatal and major injury rates per 100,000 people



The above figures show that WSCA member safety performance compares favourably with both the UK offshore and general industry performance.

WSCA member companies continue to be highly committed to the Industry's Step Change in Safety initiative with representatives of WSCA member companies serving on industry workgroups. The current co-chair of Step Change in Safety is a WSCA member.



Operational Issues

In 2009 only 17% of WSCA members experienced increased demand for their services. This is a fall of over 60% from last year. Correspondingly, 17% of members indicated suffering from a shortage of skilled staff but 43% still reported difficulties in recruiting skilled staff. Whilst recruiting people may be slightly easier than in previous years, getting the *right* people is still proving a challenge.

Figure 18: Additional operational issues

	Yes	No
Do you suffer due to a low availability of equipment?	29	71
Do the safety requirements you work to cause any detrimental operational issues?	0	100
Do you experience operational problems relating to environmental constraints?	0	100

No WSCA members think either the safety or environmental requirements they have to work with have a detrimental operational effect.

An additional question was asked this year on whether the current ‘credit crunch’ was having an effect on how members managed their business. In other words, were they operationally constrained through a difficulty in accessing capital? 57% of members said that the current ‘credit crunch’ was having no impact on their ability to access capital.

The opportunity was given to allow members to comment on any of the above areas, or to specify any areas that caused them operational problems. Their comments were:

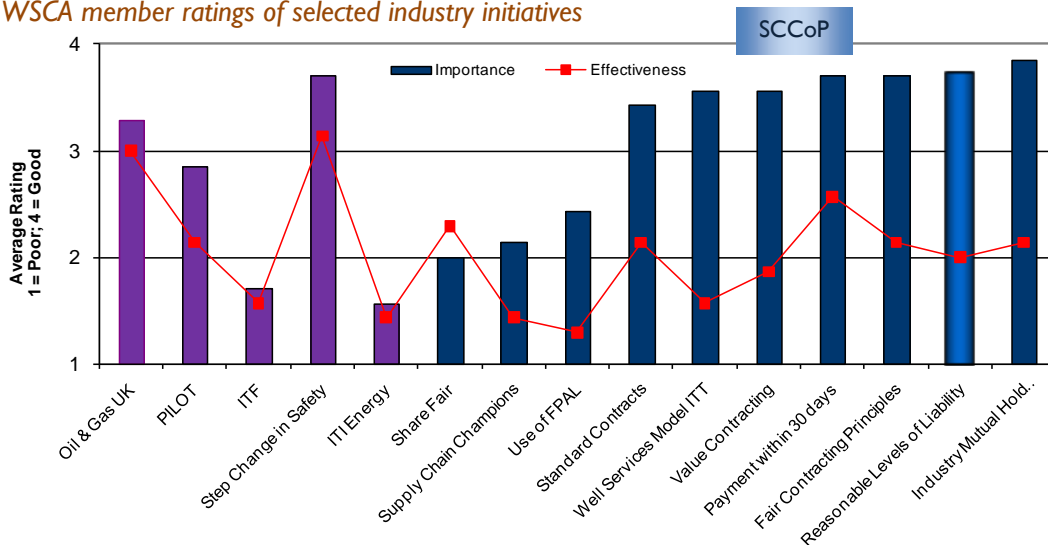
- ❑ We are currently in a downturn therefore assets and personnel are utilised less than 2008.
- ❑ Although UK and other international business remains relatively strong, the weak US business affects our company as we have a US parent.
- ❑ Lack of available credit for smaller customers has lead to significantly reduced activity.
- ❑ There is a significant demand for services but the incessant drive to reduce previously agreed (contract) rates and the ever-present threat of project phasing is pushing resource to other areas globally.
- ❑ Availability of CAPEX and assigning any available CAPEX to UK operations is proving challenging.



Government / Industry Initiatives

Members rated their opinions on the main industry initiatives with respect to their organisation's operations. The bars represent the perceived importance of the initiative, whilst the line indicates its perceived effectiveness. A score of 1 is 'poor' and 4 is 'good'.

Figure 19: WSCA member ratings of selected industry initiatives



It can be seen that although many of these initiatives are rated by WSCA members as being important, only three out of the fifteen are rated positively on their effectiveness (a score of greater than 2.5). It is extremely concerning that initiatives that are recognised as being so important appear to be so ineffectual to the WSCA sector.

Interestingly, only one (Share Fair) is seen as more effective than important, which shows that whilst WSCA members do not see it as important to them, they do recognise it is effective in what it is doing for the supplier community.

Below are the top three most important rated initiatives in 2009 compared to those in 2008.

2008	2009
1. Reasonable levels of liability	1. Industry Mutual Hold Harmless Agreement
2. Industry Mutual Hold Harmless Agreement	2. Step Change in Safety
3. Step Change in Safety	2. Reasonable Levels of Liability
	2. Fair Contracting Principles
	2. Payment within 30 days



This year four initiatives were rated second equal. It is interesting that the top seven supply chain code of practice initiatives have been rated much higher in importance this year by WSCA members. Contractual issues and payment terms are obviously becoming more important in a very challenging fiscal environment.

This year, as with every year, WSCA members have continued to recognise the importance of these industry initiatives but yet again raise concern over their lack of effective implementation towards the Well Services industry.



Delivering the WSCA Mission

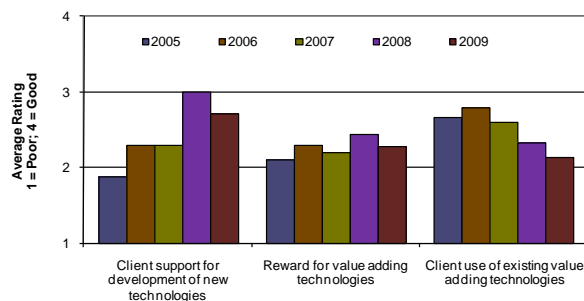
WSCA members next gave their opinions and thoughts on a number of industry related issues.

Gaining recognition for technology

Whilst the rating of client support for the development of new technologies has fallen back this year, it is still at a historically high level and is viewed positively. In comparison, the rating of the reward gained by WSCA members from clients for their value adding technologies continues to fluctuate only slightly and has never been rated on the positive side of the scale (a score greater than 2.5). In a tight market where cost has been a huge focus, spend on new technology has markedly reduced.

WSCA member rating for clients' use of existing value adding technologies continues to fall. What was once perceived as the most positive of these three areas is now rated the lowest. In Figure 20, all scores relating to the support, application and value to do with new technologies are depressed over those seen in 2008.

Figure 20: Recognition of technology



Members were asked to supply anonymous examples of where technology had added significant value to an Operator's UKCS asset. It is of note that there are significantly fewer comments and examples given by members on this topic than there were in 2008, perhaps reflecting the lower member ratings in this area compared with last year.

- ❑ Use of capillary injection systems to maintain well up time.
- ❑ Use of coil with incorporated data and power functions.
- ❑ Delivered high temp motor driven rotary steerable tool.
- ❑ New hybrid stimulation vessel.
- ❑ Delivered integrated well abandonment solution.

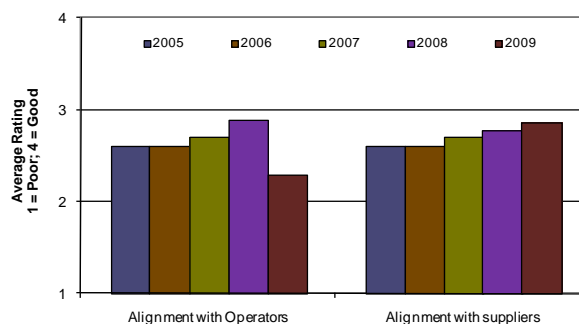


- ❑ Use of drilling and completion equipment to improve safety.
- ❑ Abandonment.

Promoting alignment of objectives with Operators and Suppliers

Where a gradual progression in the alignment with Operators had been evidenced since 2005, it has significantly declined this year, to the point where alignment with Operators is now perceived negatively for the first time. Contrary to this, alignment with suppliers is perceived to be continuing to improve gradually.

Figure 21: Alignment of objectives with Operators and Suppliers



Members were offered the opportunity to give comments to explain their ratings given in Figure 21. The comments surrounding alignment issues with clients were:

- ❑ 30 day payment.
- ❑ Acceptable levels of liability.
- ❑ Price focus rather than value focus.
- ❑ Slave master relationship rather than a partnership.
- ❑ Too often lowest unit cost is the only issue discussed.
- ❑ Large operator supply chain departments still tend to be more focused on achieving lowest component cost than lowest total well cost or value generated.
- ❑ Clients insist on pushing cost below what is sustainable. The costs in the UK are higher than many other countries; however those in the service industry are not. Oil companies are pushing the high cost base and attempting to blackmail service companies.

Comments surrounding alignment issues with suppliers were much fewer:

- ❑ Delivery schedules.
- ❑ Out of period invoices.



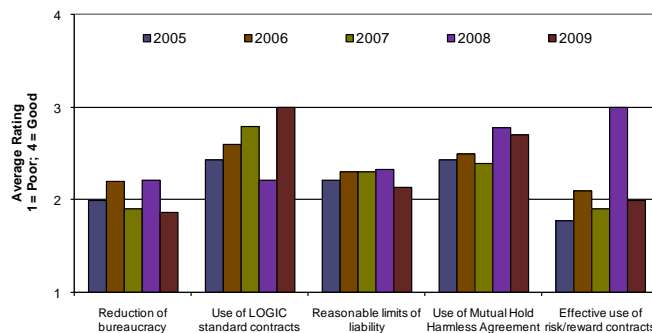
- ❑ Generally good alignment.
- ❑ Reasonably well aligned but we could do more to help them better understand what our clients expect of us.

Challenging barriers to maximising the recovery of UKCS reserves

WSCA members next gave their opinions and thoughts on the barriers to maximising the recovery of UKCS reserves. The main theme that emerged here was again the existing UK fiscal regime. Detailed comments were:

- ❑ Availability of capital.
- ❑ High day rates for mobile rigs.
- ❑ Uncertain fiscal regime changing tax rates.
- ❑ Risk aversion, large internal structures with bigger operators.
- ❑ Current fiscal regime.
- ❑ Poor contracting behaviour by some operators.
- ❑ Inappropriate fiscal regime for a maturing basin.
- ❑ Super-majors not developing new fields nor relinquishing them to companies who would develop them – although this is slowly beginning to change.
- ❑ Uncertainty of market inhibits future planning, lack of clarity.
- ❑ Oil price recovery but no gas price recovery.
- ❑ Contracting strategies.
- ❑ High cost base in UK.
- ❑ Government tax regime and constant uncertainty with respect to windfall taxation.
- ❑ Operators holding Well Service companies to ransom over costs.
- ❑ Lack of tax incentives to encourage exploration & enhanced oil recovery.

Figure 22: Encouraging efficient contracting practices





The 'use of LOGIC standard contracts' and the 'use of Mutual Hold Harmless agreements' are the only two areas rated positively this year. The rating of 'reductions in bureaucracy' fell sharply from last year as did the rating for 'the effective use of risk/reward contracts' which halved.

The rating of 'reasonable limits of liability' also fell this year to its lowest level since 2005. Although this area is viewed as one of the most important industry initiatives by WSCA members in Figure 19, it is another that is viewed as important but not effective.

Members were also asked about ideas they had for achieving more efficient processes and how Well Services contractors could get better recognition for the value they bring.

Q) How can more efficient processes be achieved?

The main theme that comes out of this area is a desire to use standardised approaches that should help reduce waste and duplication within the industry.

- Enforce the use of common process across the supply chain.
- Reduce content demanded in tenders - use FPAL.
- Just use the tools we have!
- An industry wide Well Service Model ITT, FPAL accreditation and MHH would take significant cost out of the contracting process. Significant time and energy is currently expended prequalifying, multiple bids and negotiating compromise from entrenched company risk and liability positions.
- Ownership of process.
- Direct – no nonsense communication. No hidden agendas.
- Ensure drilling contractors sign up to IMHH.

Q) How can Well Services Contractors get better recognition for the value they bring?

- Through publication and the provision of data through industry organisations such as WSCA, Oil & Gas UK, SPE, ICOTA etc.
- Do a better job of capturing and publicising the value created through technology and innovation.
- Use of FPAL for demonstrating service quality and HSE.
- Performance.
- By being rewarded with fixed agreements and clearly defined work scopes allowing investment in longer term UK based projects.



Sector Improvements/Achievements

Q) What do you think has improved for the Well Services sector over the last 1-2 years?

Responses here are much more negative than in previous years but there are still some improvements noted.

- Short term improvement in activity levels. International deep water opportunities have continued to grow.
- With the reduction in business the demand for people and the exercise of poaching personnel has gone.
- Nothing!
- Sustained service quality and improved HSE in difficult market.
- Safety.
- Pricing and client supply chain relationships had improved, however the last 7 months has put the industry back a numbers of years in terms of maintaining trustworthy engaging relations.
- Nothing.

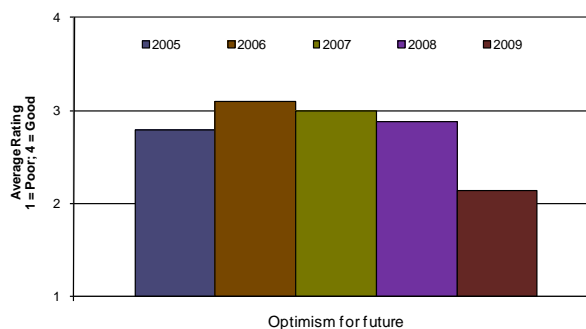


Future Issues

Degree of Optimism

Figure 23 shows that whilst optimism amongst WSCA members had been declining slightly since 2006 this year has seen a step change in the lack of optimism for the future of the UK Well Services industry. Optimism for the future is rated negatively for the first time since 2005.

Figure 23: Degree of optimism about the future of the UK Well Services industry



Even amongst this depressed view of the future, some reasons for optimism could be found. These were:

- ❑ Oil price remains high, though the availability of capital is a concern. The reduction in rig rates should also help to improve the amount of work being done.
- ❑ Established reserves and proven infrastructure in low risk area.
- ❑ Security of supply in Middle East, Africa and Latin America.
- ❑ Decommissioning and abandonment.
- ❑ Use of technology.
- ❑ Activity will increase once Operators overcome cash flow issues & determine the service prices are as low as they can go.

In balancing the reasons for optimism, WSCA members cited many more reasons for caution. These reasons were all commercially related, with actual comments being:

- ❑ Lack of capital for independent operators to deliver their plans.
- ❑ Continued low price of gas.
- ❑ Short sighted planning, lack of capital. US based companies with significant presence in the US.
- ❑ Low activity.



- ❑ Low prices.
- ❑ Uncertainty of commodity prices.
- ❑ High relative taxation.
- ❑ Reactive short term contracting strategies.
- ❑ Prices charged to Operators unsustainably low.
- ❑ Reluctance of client base to invest against a backdrop of capital squeeze and the reluctance of UK plc to recognise UKCS as a top earner thus failing to take action to protect a valuable income stream.

Finally, considering the future, WSCA members were asked to give their opinions on the main issues likely to impact Well Services business in the next three years. The main theme here surrounds the sector's ability to emerge effectively from the current slump.

- ❑ Continued high rig day rates.
- ❑ Lack of capital to invest in new equipment.
- ❑ Low perception by UK government on importance of UK Oil & Gas.
- ❑ Maintaining profitability, maintaining high safety standards against pressure to complete operations faster and more cheaply.
- ❑ Lack of activity leading to reduction in resources leading to inability to "rebound" efficiently.
- ❑ Timely retrieval of equipment and personnel when market recovers.
- ❑ Qualified people.
- ❑ Capital investment.
- ❑ Resource flight (people and equipment).
- ❑ Note - Well Services providers will continue to grow their respective businesses in areas other than UKCS. UK plc will be the ultimate loser - not the industry, operators or service providers.
- ❑ Oil price.
- ❑ Large scale redundancies causing skills shortage in the upturn.



Appendix – Survey Questionnaire

I. FINANCIAL INFORMATION

Gross Revenue (\$M)		
	2008	2009 (estimated)
United Kingdom		

EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization, \$M)		
	2008	2009 (estimated)
United Kingdom		

New Capital Investment (Fixed Assets, \$M)		
	2008	2009 (estimated)
United Kingdom		

New Technology Spend (\$M) (i.e. How much of above total new Capital Investment is on new technology?)		
	2008	2009 (estimated)
United Kingdom		
Global (including UK)		

Percentage of Revenue from New Technology (i.e. What percentage of the above revenue derives from the provision of New Technologies?)		
	2008 (%)	2009 (%) (estimated)
United Kingdom		
Global (including UK)		



2. COMPANY RESOURCES

Number of Employees	2008	2009 (estimated)
	United Kingdom	
Worldwide		
% of UK based employees involved in work in other areas of the World		

Attrition						
Number of employees who left your Company in 2008 (Please enter number in box)						
Where did they go?	Other WS Company	Operator	Self – employed consultant	Left the Industry	Retired	Other
Number						

UK Resources	2008	2009 (estimated)
	Surface (i.e. Topside) Units*	
Downhole (i.e. within Wellbore) Units*		
Sub-Surface (i.e. Sea Bed) Units*		
Total No. of Graduate Engineers		
Number of new Graduate Engineers recruited during year		
Total No. of Technicians (HNC/HND or equivalent)		
Number of new Technicians recruited during year		

* Unit is defined as a significant piece of equipment or assembly designed to carry out a specific task.



Please estimate how much additional business (expressed as a percentage of total business) could be handled by your existing resources. (i.e. your current spare capacity in percentage terms).	%
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3. OPERATIONAL ISSUES

Is there increased or reduced demand for your services this year over last year?	Increased <input type="checkbox"/>	Reduced <input type="checkbox"/>
Do you have a current shortage of skilled staff?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Do you have difficulties recruiting skilled staff?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Do you suffer due to a low availability of equipment?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Do the safety requirements you have to work to cause any detrimental operational issues?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Do you experience operational problems relating to the environmental constraints you must work within?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Is the current 'credit crunch' having an effect on how you manage your business? (e.g. are you constrained by difficulty in accessing capital?)	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Please comment on these areas or any other areas not mentioned that might cause operational problems.



4. UK GOVERNMENT/INDUSTRY INITIATIVES

Please rate the **importance** and **effectiveness** of the following initiatives (by circling your score) in respect of your organisation's operations.

	Importance				Effectiveness			
	Poor			Good	Poor			Good
Oil and Gas UK (Single voice for Industry)	1	2	3	4	1	2	3	4
PILOT (Industry/Government initiative to maximise UKCS reserves recovery)	1	2	3	4	1	2	3	4
Industry Technology Facilitator (ITF)	1	2	3	4	1	2	3	4
Supply Chain Code of Practice								
Standard Contracts	1	2	3	4	1	2	3	4
Well Services Model ITT	1	2	3	4	1	2	3	4
Industry Mutual Hold Harmless Agreement	1	2	3	4	1	2	3	4
Use of FPAL	1	2	3	4	1	2	3	4
Payment within 30 days	1	2	3	4	1	2	3	4
Supply Chain Champions	1	2	3	4	1	2	3	4
Reasonable Levels of Liability	1	2	3	4	1	2	3	4
Fair Contracting Principles	1	2	3	4	1	2	3	4
Value Contracting	1	2	3	4	1	2	3	4
Share Fair	1	2	3	4	1	2	3	4
Step Change in Safety	1	2	3	4	1	2	3	4
ITI Energy	1	2	3	4	1	2	3	4



5. DELIVERING THE WSCA MISSION

5.1 Gaining Recognition for Technology

	<i>Poor</i>			<i>Good</i>
Client use of your existing value-adding technologies	1	2	3	4
Client support for development of new technologies	1	2	3	4
Reward for value-adding technology	1	2	3	4

Please provide anonymous examples of where your technology has added significant value to an Operator’s UKCS asset.

5.2 Promoting Alignment of Objectives with Operators and Suppliers

	<i>Poor</i>			<i>Good</i>
Alignment of Objectives between your Company and Operator Clients	1	2	3	4
Alignment of Objectives between your Company and your Suppliers	1	2	3	4

What are the Issues re Alignment Difficulties?

With Clients

With Suppliers



5.3 Challenging Barriers to Ensure a Sustainable Oil and Gas Business

What do you think are the major barriers (if any) to achieving the maximum recovery of UKCS reserves?

5.4 Encouraging Contracting Practices which reflect WSCA Member Contributions and lower the Burden of Procurement

	<i>Poor</i>			<i>Good</i>
Use of LOGIC Standard Contracts	1	2	3	4
Use of Well Services Model ITT	1	2	3	4
Effective use of Risk/Reward Contracts	1	2	3	4
Reasonable Limits of Liability	1	2	3	4
Use of Industry Mutual Hold Harmless agreement	1	2	3	4
Reduction of Bureaucracy (e.g. No duplication of FPAL in ITTs)	1	2	3	4

How can we achieve more efficient processes?

How can Well Services Contractors get better recognition for the value they bring?

6. SECTOR IMPROVEMENTS/ACHIEVEMENTS

What do you think has improved for the Well Services sector over the last 1-2 years?



7. FUTURE

7.1 Degree of Optimism

	Very Pessimistic			Very Optimistic
Overall, how optimistic do you feel about the future of the Well Services sector on the UKCS?	1	2	3	4

Reasons for Optimism

Reasons for Pessimism

7.2 What do you think will be the Major Issues for the Well Services sector in the next 3 years?

8. ORGANISATION DETAILS

Company Name	
Survey completed by:	
Telephone No.	