



## Field Operator Guidelines

### **Purpose of these guidelines**

These guidelines are provided to assist companies who wish to become a field operator of oil or gas fields on the UKCS. In particular the guidelines are designed to help companies understand the information that the OGA will require to consider an operatorship application.

### **Application of these guidelines**

The guidelines are applicable for the following range of operatorship transactions:

- Existing UKCS licensees who wish to appoint a Field Operator for a new field development
- Existing UKCS operators wishing to acquire operatorship of a new field
- Existing Licensees in a particular field who wish to take over operatorship
- Existing UKCS Licensees who wish to take over operatorship of a field where they currently hold no equity.
- New entrants to the UKCS who wish to become operators
- Companies both seeking to take over operatorship of existing producing fields and acquiring new, as yet undeveloped, prospects from existing operators

### **General guidance**

To be appointed as a field operator a company must demonstrate that it understands the development and environmental responsibilities of the operator and that it is competent, both financially and technically, to discharge these under its agreements with its co-licensees. It must also have a sound management structure staffed by an established group of experienced personnel.

Environmental and safety aspects of oil and gas developments are regulated by the Offshore Safety Directive Regulator (OSDR – see <http://www.hse.gov.uk/osdr/index.htm> ). The Offshore Safety Directive 2015 requires licensees to appoint an installation operator and a well operator. These can be the same as the production field operator or the responsibility can be a separate third party can be appointed to provide the service. These appointments require the agreement of OGA and the OSDR. Further guidance on the appointment of Well and Installation Operators under the Offshore Safety Directive can be found on <http://www.hse.gov.uk/osdr/guidance/consultation.htm>

The Field Operator (formerly also known as Production Operator) is responsible for managing the development and for field and reservoir

management. A prospective field operator would normally be expected to have a proven track record of success in the operatorship of comparable developments elsewhere and have an approach to field development compatible with the OGA's objective of securing maximum economic recovery from each field and from the UK as a whole. A substantial use of contracted staff would need to be justified.

The level of detailed examination by the OGA will depend on which category prospective applicants fall into and will be proportionate to their proven track record. The information that the OGA will seek will in general be drawn from the checklist below.

It should be noted that approval is generally on a field-by-field basis (ie, blanket approvals to operate producing fields in the UKCS are not given and prospective operators must always specify the fields they wish to operate).

### **Technical competence**

The operatorship of a North Sea oil or gas field requires a very high level of technical competence with the high operating costs and large well spacing representing a significant challenge. It is essential that prospective operators demonstrate a strong technical ability if the track record of the UKCS for successful developments is to be maintained.

The proposed technical staff structure should be described carefully with particular regard to the role of any contractors in the decision making process. It is crucial that operators maintain sufficient in-house staff to clearly understand and supervise the key reservoir and facilities management issues and to direct the overall field plan.

It is not clear that "virtual operators" (effectively a very small shell of permanent staff surrounded by consultants who take all the major field management decisions) fit with this approach. The key technical staff (eg, petroleum engineering manager) will be expected to have substantial North Sea operations experience.

Any operatorship experience elsewhere in the world should be described, as should any non-operated interests in the UKCS. Licensee disputes can sometimes act as drag on development of UKCS fields and the proposals for licence management should be outlined. This information is particularly important for incoming companies with no previous operating experience and in this case the management systems (eg, proposed regularity of Operating Committee Meetings) should be explicitly spelt out.

The logic of the proposed change in operatorship needs to be clear to the OGA and the forward reservoir management plan and expenditure and production profiles upon which the new operatorship is based should be supplied. OGA is keen to understand what the new operator feels he can add to the field management process and particularly of any firm plans to increase field lifetime and hydrocarbon recovery.

## **Financial capacity**

A fundamental issue in any take-over of an existing mature oil field is the financial provision to continue with the authorised Field Development Plan coupled with the financial strength to cope with unexpected incidents or emergencies and to pay for eventual decommissioning of the field facilities.

OGA has no financial criteria for operatorship other than those applied to the operator in its capacity as a licensee (including financial liability for potential pollution). The financial state of the prospective licensee(s) will therefore be reviewed carefully by the OGA and a forward business plan (including expected expenditure and production profiles to the end of field life) will need to be provided. The OGA has issued [separate financial guidance](#).

<https://www.ogauthority.co.uk/licensing-consents/licensing-system/licensee-criteria/>

One of the OGA's purposes in this review is to ensure that the authorised Field Development Plan is adequately funded. The BEIS Offshore Decommissioning Unit will also need to be satisfied and that the UK taxpayer is not exposed to any risk of covering decommissioning costs that should fall due to the field Licensees.

## **Environmental competence**

Environmental issues are extremely important in all oil and gas developments and formal Environmental Statements (ESs) are required for all new UKCS developments of any significance. Responsibility for Environmental Management following FDP approval is formally vested with the Installation and Wells Operator(s). Nonetheless it is essential that any new operator in the North Sea demonstrates that he is aware of the environmental requirements, has and applies in practice a comprehensive environmental management system and is in a position to carry out a formal ES if and when required (eg to support applications for revisions to the approved field development plan).

## **Detailed information requirements**

(In some cases only a subset of the information listed below will be required; it is recommended that companies discuss the OGA's specific requirements before submitting) the proposed management structure of the company, and the organisation, responsibilities, reporting lines and current post-holders of the proposed operating team for the development of the field(s), including their location (eg, London, Aberdeen etc or offshore). The location of the registered office with telephone and fax numbers should be provided. For multi-national companies the hierarchy of decision-making responsibility between the UK affiliate and head-office should be clearly explained.

2. The charts should identify who is responsible for safety, emergencies, environmental matters, facilities engineering, reservoir evaluation and management, drilling, supply services, maintenance, offshore loading, monitoring progress and reporting to the OGA. Also who is responsible for regulatory/consenting processes , including production, flare and vent consents and well notifications IWONS)
3. Details of the numbers and disciplines of the personnel employed in each of the key areas of management and operating responsibility and the basis on which they are employed (eg, permanent staff or contract).
4. Curricula vitae of executive directors and all key management and operating personnel, giving full details of their technical background, skills and previous experience and where appropriate their experience to date on the field(s).
5. If there are any current vacancies in key posts in the management structure and operating team, a statement of what action is in hand to fill them and what arrangements are being made to provide the necessary expertise pending recruitment of suitable personnel.
6. An explanation of the quality management standards the company will apply in all aspects of operating the development of the field(s). How will contractors undertaking construction, maintenance and operations activities be audited? The allocation of duties between in-house and external providers of oil field management services should be clearly explained, including the chain of responsibility and decision making matrix.
7. The proposed business process (e.g. regularity of opcoms and techcoms and the procedure for dealing with Partner disputes) should be described
8. For new field developments or takeovers of existing fields, a detailed statement of the financial resources available to the company (and where appropriate its parent company) to ensure that economic development of the field(s) will be maximised, including, where appropriate, a letter of support from the parent company and or major shareholders (this will usually be provided as a separate document in accordance with our [financial guidance](#)).
9. A listing of current North Sea licence interests should be provided.
10. For companies already operating oil/gas fields outside the UKCS:
  - a. a list of oil or gas fields world-wide (onshore and offshore) which have been or are currently being operated; and
  - b. for each of the fields listed in 12(a), a review of the measures the company has taken to optimise recovery and a brief explanation of how these fields have performed against original expectation.
11. Companies with no previous operator experience should provide details of any other world-wide experience that they feel is relevant to becoming a North Sea operator and explain how they will manage the transition to operatorship from the previous operator if they are taking over a producing field.
12. A description of the company's in-house capabilities in the area of reservoir and facilities management, and, if these are not self-sufficient, what external resources are available/utilised to supplement these capabilities. Prospective operators should indicate the extent of their commitment to employ new or advanced technology and the company track record in introducing technology to operations.

13. A statement of the company's reservoir management philosophy. What internal audits are carried out of the reservoir development programmes and reserve calculations.
14. A forward production profile for the fields to be operated taking into account any proposals the company has for enhancing production/reserves. It is appreciated that detailed plans may not be firmed up at this stage.
15. A statement of the facilities operations and maintenance strategy that the company would expect to adopt.
16. A statement of the company's policy towards the training of its technical staff, including formal internal or outside training programmes and other ways of ensuring that staff are kept up to date in their specialist subject(s)
17. A statement of the company's basis for field development economics, including such aspects as hurdle discount rates; oil price scenario(s), and gas flaring philosophy.
18. A statement on reserve categorisation (deterministic or probabilistic) together with a short synopsis on reserve estimation methods normally used by the company.
19. List extent of the company's current engagement with industry trade associations such as, Oil and Gas UK , BRINDEX etc

## Notes

### [Items 1-5: Company Structure](#)

We consider a management structure showing clear lines of responsibility and clear processes for field management to be essential. The OGA will look for a strong reservoir management team with considerable North Sea experience and the minimum of vacancies in key positions. In the case of companies taking over existing producing fields it is usually advisable to have a transition period of at least 6-months during which key staff from the previous operator are available to the new operator. The key operations staff should be UK based.

### [Item 6-7: Management System](#)

The responses to these items on the checklist should describe how the new operator will manage the field in practice, clearly describing the division of responsibility between the company's own staff and contractors if the latter are employed. The OGA supports the growth of alliancing in the UKCS as a way of reducing the burden on operators and placing responsibility where the best expertise lies provided the essential responsibilities of the operator are maintained.

Prospective operators will need to demonstrate how they will ensure that any contractors employed have and will maintain appropriate levels of competence and standards and how the operator will manage communications and delegation of responsibility. These procedures should look to recognised management and auditing standards. The arrangements for handling emergency situations should be clearly explained.

The OGA's experience shows that lack of partner Licensee alignment can seriously hinder optimal field development. New operators for producing

fields should demonstrate how they will continue to involve all Licensees in the continuing field development.

#### [Item 8: Financial Resources](#)

For new field developments or take-overs of existing fields, prospective operators should provide sufficient information to demonstrate the financial robustness to continue the authorised Field Development Plan and cover their share of the eventual decommissioning costs. For fields without authorised Field Development Plans, companies will need to explain how they plan to fund a development in due course.

#### [Item 10: World-wide Operating Experience](#)

Companies without substantial UKCS operating experience should draw on their operating experience overseas to demonstrate a track record of effective field management.

#### [Item 11: Companies with no Previous Operating Experience](#)

Companies with no previous operating experience will naturally be subject to particular scrutiny and the timetable and logic of the proposed transition to operatorship needs to be described in detail in such cases.

#### [Item 13-15: Field Management Resources](#)

These items seek more detail on the technical resources available to the prospective operator. The applicants own analysis of the potential of the field should also be explained. Potential for additional recovery for fields in production should be clearly identified.

#### [Item 16: Training Policy](#)

Well-trained staff are considered essential for effective operatorship of a UKCS field. Any formal training standards that the applicant has adopted (e.g. "Investors in People" standard) should be noted here as well as the way in which the applicant will establish such standards in subcontractors.

#### [Item 17-19: Reserves and Economics](#)

The methodology adopted by the company for reserve estimation should be outlined. North Sea operators use a wide range of reserve and production estimation methods and this information will allow the OGA to place any reserves or production estimates supplied by the new operator in the correct context.