

No prizes for lack of boldness

The NPD created something of stir this spring when it said that its annual award for improved oil recovery (IOR) would be withheld for a second time. But it hopes to find a worthy winner in 2009.

Eldbjørg Vaage Melberg
Emile Asley (photos)

The NPD's IOR prize is awarded to companies, institutions or individuals who display courage, willingness and the ability to improve oil recovery beyond the legally specified requirements.

An "extraordinary commitment" is always expected from a recipient of the IOR award, emphasises NPD principal engineer Rolf Wiborg, while acknowl-

edging that a lot of good work is being done.

"This prize acclaims an ability to take project decisions over and above legally specified requirements," he says. "Nobody wins an Olympic gold by standing still on the starting line."

Much was done in 2008 on boosting recovery to keep output in line with

approved plans, Mr Wiborg notes. But the year was otherwise disappointing despite high oil price expectations.

A number of studies and evaluations are being done, adds Kirsti Veggeland, who sits on the prize jury. "But little seems to be sanctioned. The IOR prize is a reward for bold decisions."

She has herself worked on issues

related to improved recovery for many years, both at the NPD and at what is now the International Research Institute of Stavanger (Iris).

When it was learnt that the NPD would not be awarding an IOR prize for 2008, the Norwegian Oil Industry Association (OLF) told the national press it found this decision incomprehensible.

Others maintained that it was appropriate for the agency to highlight the absence of decisions – and that this was a problem for the petroleum industry.

Mr Wiborg welcomes these reactions, and is sure that the NPD will have many worthy candidates for the 2009 prize – which was also the case the last time it refused to make an award.

That occurred in 2002, after several years of low expectations and cutbacks in the industry. A series of bold decisions were taken the following year which have greatly boosted earnings.

Johannes Kjødde, director for fields and discoveries at the NPD, underlines

the significance of showing courage. Phillips won the prize in 2000 for maintaining IOR measures on Ekofisk despite hard times and general cutbacks in the industry.

"That was a bold move made when oil prices were low," Mr Kjødde notes. "Prices are now high, and have been even higher, but similarly courageous decisions aren't being taken."

He sees a trend towards oil companies "giving priority to short-term action to boost output from day to day rather than initiating measures with a long-term production perspective."

Effect

Mr Wiborg believes that the NPD's decision to withhold the IOR prize for 2008 has already had a positive effect, and sees at least a couple of possible candidates for this year's award.

"Those of us who keep a close eye on work in the production licences see that a lot's happening," he notes.

Every year, the NPD assesses candidates nominated by outsiders and identified through its work with the production licences and its cooperation with research bodies and the service and supply industry.

"We have observer status – and the right to speak – in all licence management committees. And we use it," says Mr Wiborg. He adds that the NPD attends these meetings to monitor the companies and to push for initiatives which boost field profitability.

At such meetings, he points out, the directorate and the Ministry of Petroleum and Energy (MPE) represent the biggest owners of Norway's oil and gas resources – its taxpayers.

And the government bears the biggest risk through the Norwegian offshore tax regime and as owner of 67 per cent of Statoil and 100 per cent of Petoro.

The job of the licensees is to manage each field for which they are responsible

More than half the oil on the NCS will remain in the ground under current plans. The NPD takes the view that leaving profitable assets untapped or abandoning fields too early represents poor resource management.





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(Johannes Kjøde, director for fields and discoveries at the NPD)

to maximises net profit. Civil servants are present to ensure compliance with the legal framework.

Refine

Mr Kjøde is keen to refine the picture of the NPD as a single-minded driving force for IOR. “We’re concerned with value creation, not volumes,” he emphasises.

“It’s inaccurate to say that our goal is to get out everything down to the last drop of oil. We’re concerned to ensure that the companies produce what’s profitable.

“As a resource manager, however, we can’t sit idly by and watch more than half the oil being possibly left below ground if fields are abandoned in line with current plans.”

Value creation could be huge for both companies and society if the industry manages to recover a larger proportion of the resources, he points out.

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To illustrate his view, Mr Kjøde recalls the proud history of the NPD and the MPE with regard to the Ekofisk water injection project in the North Sea.

The licensees needed adjustments to the frame conditions in order to

take major and risky decisions in 1984. Results have been better than anyone dared to hope. Oil recovery from the field has more than doubled, with further gains due over the next 30 years.

Ms Veggeland believes there can never be too much research and technology development or too many pilot projects, and sees a reluctance to adopt new methods on the fields. Major revenue opportunities probably still exist in this area.

She also emphasises the NPD’s role in encouraging petroleum industry cooperation beyond the individual field and production licence.

Historically, the NPD has participated in major IOR research projects, such as the former programmes for IOR and reservoir technology (Spor) and reservoir utilisation through advanced technology help (Ruth).

Force

It is now the secretariat for Force, a partnership between government and oil companies which seeks in part to be a prime mover for offshore pilot projects. Such full-scale testing calls for cooperation between the companies across fields and licences.

It was a Force working party which proposed in 1997 that the NPD should award an annual IOR prize.

“Don’t forget that the companies are obligated through the regulations

and their plans for development and operation to conduct research and to collaborate,” says Mr Wiborg.

The prize was accordingly to be given for courage and decisions, he notes, and adds that Norway is “the world’s most favourable country to pursue research because you and I pay for the bulk of it. The companies can deduct the cost from tax.”

Dared

Norsk Hydro was the first company to win the IOR prize, because it had dared to make a commitment to recovering the oil in the North Sea Troll field.

Many people believed that the latter’s oil-bearing layers were too thin for profitable recovery, but these resources eventually made Troll Norway’s largest producer of crude for a time.

Troll Oil also provides an example of good interaction between government and industry. Analyst Econ has concluded that these resources are unlikely to have been developed without active NPD involvement.

Similarly, the many hundreds of billions in additional kroner earned from Ekofisk would never have materialised without Farouk Al-Kasim, the NPD’s first director for resource management, and his many able colleagues in the early 1980s. ❄