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Using Project Portfolio Management to Minimize Risk in the Oil and Gas Industry By Guy Barlow, Industry Strategist for Primavera GBU, Oracle

Companies in the oil and gas industry must invest heavily to further exploration, production, and refining, yet they face growing challenges. Recently, there has been historic revenue and profit growth at the major oil and gas companies, yet they now face an unprecedented economic backdrop. Decreased global demand and a precipitous drop in oil prices are placing operations and finances under stress.

However, long-term demand for energy continues to grow, necessitating new, large-scale capital projects for exploration and production, which can present significant risk. Company leaders who must approve these projects and those who provide external funding for them are focused on the fundamentals. Is the project viable? How do we prioritize our projects? How will natural disasters or a shortage of talent affect completion dates and project costs? Company leaders are today looking for proof far beyond a reasonable doubt that the company's investment will be secure and safe and meet return-on-investment metrics. And the obligation to provide proof falls to those making the investment request, placing a heightened emphasis on risk analysis and risk mitigation plans for projects and portfolios.

In challenging times, one failed project has the potential to jeopardize both short-term success and the company's ability to further its long-term strategic goals. Success depends on adhering to schedules, allocating resources efficiently, meeting budgets, and delivering capital assets on time and within budget. A host of pitfalls and risks all have the potential to push efforts off schedule, over budget, and potentially offline. However, most projects fail because of factors that have a high degree of potential control. The causes of failure can often be traced to several key areas where operational practices have fallen short, including improper analysis of the facts, faulty decision-making, and incomplete communication—in other words, poor risk management. Fortunately, solutions to these challenges are readily available.

Companies that consistently achieve their goals and complete projects on time and on budget have one thing in common: they effectively assess project risk, therefore investing

Events in January

- 1 IRO, Association of Dutch Suppliers in the Oil and Gas Industry Meeting, 4th January 2010
- 2 Sub Committee Meeting on MIDA Grant, 8th January 2010
- 3 Industry Lunch by OPITO Asia Pacific Sdn Bhd - 12th January 2010
- 4 Emergency Response Training, 2nd—12th February 2010

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time, resources, and talent in successful endeavors that further the company's strategic objectives. However, identifying risk is not an intuitive process and no single individual can accurately identify the innumerable contingencies that can arise. Luckily, sophisticated technologies exist to help provide this assurance.

Project portfolio management applications such as Oracle's Primavera applications enable project managers to conduct comprehensive and rigorous risk assessments and provide all involved in the decision-making process the information they need in order to draw sound conclusions. They also help companies identify the best strategies for pursuing existing projects and determine the most promising future projects for investment.

Although risk assessment will never be an exact science, today's advanced solutions are highly effective and can help companies identify and mitigate risk, enabling executives and team members to:

- Construct detailed risk models and scenarios
- Leverage probabilistic cash flow analysis both at the project level and across projects to help identify possible areas of over- and under allocation
- See in an instant how individual investments affect the bottom line
- Pose what-if scenarios, enabling stakeholders to see in real terms how a contingency will affect the project, including the budget and schedule
- Manage risks as they arise with Monte Carlo-based cost and schedule analysis

Oil and gas companies that employ sound risk assessment and risk management practices will be more likely to achieve their project goals of on-time and within-budget delivery. With an understanding of the skills and solutions they need for ensuring that capital is effectively deployed to projects with as little risk as possible, oil and gas leaders will survive—and likely thrive—even during challenging economic times.

Scomi brings India's first Monorail Car - Delivers first monorail car to Mumbai



Mumbai, 5 Jan 2010: Scomi Group, a leading provider of urban transit systems across the globe focusing on the emerging markets of India, Brazil, China, Gulf States and Brazil, today announced the completion of the first monorail car for the Mumbai Monorail project. The car left its manufacturing facility in Malaysia on the 2nd of January en route to Mumbai, India.

“The first Monorail car will play a pivotal role in the preliminary systems interface testing, which is critical in ensuring that the Monorail system runs smoothly.” says Suhaimi Yaacob, Country President of Scomi India. “The timely delivery of the first car is a reflection of the capabilities, commitment and reliability of Scomi in meeting our key milestones exactly as planned to meet the client requirements. The consid-

Scomi brings India's first Monorail Car - Delivers first monorail car to Mumbai

erable efforts made by Scomi and our entire international team in Malaysia and India have made this possible in record time.”

He further added, “Our new state-of-the-art facility in North Kuala Lumpur has the capacity to handle two more projects concurrently and we have plans to expand our manufacturing expertise into other emerging markets where the demand for our transportation solution arises. We believe the Mumbai monorail system will provide sustainable mobility, reduce urban congestion, improve reliability and journey comfort for commuters.”

Scomi Engineering Bhd (“Scomi Engineering”) and its consortium partner Larsen & Toubro (“L&T”) secured the USD 545.02 million / RM1.846 billion Mumbai Monorail Project in November 2008. Scomi Engineering and L&T are given 30 months to complete the first Monorail project in India. For this contract, Scomi will deliver a total of 60 cars to make up 15 sets of 4 car trains.

All the Monorail cars are being manufactured at Scomi’s Engineering, Technology and Innovation Centre (“ETIC”) located in Kuala Lumpur, Malaysia where Scomi has recently invested over USD 11.80 million/ RM40 million to upgrade this manufacturing facility. ETIC has a built up area of 150,000 sq ft which is able to house a 12-station monorail and a 16-station electrical multiple unit (“EMU”) rail car assembly line that is capable of producing a car body every 5 to 7 days in a single shift. ETIC also has a 1-km Monorail test track for conducting full range dynamic and endurance testing.

Scomi Group (“the Group”) has been spearheading expansion in the emerging markets of India, China, Gulf States and Brazil. Through its new company Scomi International Pte. Ltd., the Group is accelerating its continued growth as a world-leading manufacturer of innovative transportation solutions especially in Monorail systems. The Group has plans to target other segments like the low-floor city buses that run on CNG as a part of its complementary business model to contribute to the Indian urban transportation growth.

Suhaimi further commented, “With our recent recruitment drive in India we have begun the second stage of expansion. We are also conducting special skills training in the area of operations and maintenance (“O&M”) ensuring quality workforce with well-equipped technical capabilities before the inaugural monorail service in India by the end of this year.”

About Scomi Engineering Bhd

Scomi Engineering, a public listed subsidiary of Scomi Group Bhd is focused on Public Transportation and Oilfield Machine Shop Services. For Oilfield Services, the Group is the leading provider of energy engineering solutions in the region servicing the oil & gas industry with a network of ten machine shops in seven countries. For Public Transportation, it is involved in the design and manufacture of buses, rail wagons, monorail systems and special purpose vehicles.

About Scomi Group Bhd

Scomi Group Bhd, which is listed on the Bursa Malaysia Securities Bhd and its Group Companies are involved in three core businesses: Oilfield Services, Public Transportation and Marine Services. The Group offers Drilling Fluids & related engineering services, Drilling Waste Management solutions, distribution of related oilfield products & services, marine vessel services, machine shop services, urban transportation solutions involving monorail systems and busses, supply of industrial and production chemicals and carbon dioxide (CO₂) separation. With offices at 68 locations in 33 countries, Scomi derives most of its business from its international operations, which is backed by almost 50 years of experience in the industry servicing numerous local and multinational companies.

Emergency Response Training 2nd—12th February 2010

Dear MOGSC member,

MOGSC will be conducting courses free of charge (FOC) for members only. Details are as follows:

1. Participants must be Malaysian nationals;
2. Two (2) nominees for up to 2 courses per company, as places are limited;
3. Applications will be dealt with on a first come, first served basis;
4. MOGSC reserves the right to screen candidates for suitability;
5. Courses are conducted in English;
6. Target audience is HSE Managers, Plant Managers, Senior ERT members, Senior Management, Emergency Response and Crisis Management Team members, Safety & Health Officers, Safety & Health Committee members, and Chemical Handlers;
7. Please note that transport to/from training venue is not reimbursed. Refreshments will be served without charge; and
8. Refundable commitment deposit (cheque payable to “The Malaysian Oil & Gas Services Council”) of RM500.00 upon confirmation from MOGSC of secured place, to be returned upon completion of the course;

Training and topics are as follows:

| No. | Topic: Emergency Response Training | Date | Venue | Time |
|-----|--|---|---|--|
| E1. | Introductory to CPR & First Aid | 2 nd - 3 rd February 2010 (2 days) | MATRADE Exhibition & Convention Centre (MECC), Jalan Khidmat Usaha, Off Jalan Duta, 50480 Kuala Lumpur | 1 st day registration commences at 8.30am Daily courses: 9am to 5 pm |
| E2. | Crisis and Emergency Response Training | 4 th - 5 th February 2010 (2 days) | | |
| E3. | Response to Fire & Chemical Emergency and Chemical Spills Response Training | 8 th February 2010 (1 day) | | |
| E4. | Response To Fire & Fire Protection System and Basic Fire Safety & Fire Protection System Training (includes site visit for practical & bus Transportation) | 9 th – 12 th February 2010 (4 days) 4 th day = FULL DAY Site Visit | | |

Please note Deadline for submission of attached registration form is 25 January 2010 to the Secretariat

**Registration Form: Emergency Response Training
2 —12th February 2010
MATRADE Exhibition and Conference Centre, KL**

| | |
|----------------------|-----------------------|
| Organization's Name: | MOGSC Membership No.: |
| Contact person: | Date: |

| Participant 1 | Participant 2 |
|---------------|---------------|
| Name: | Name: |
| IC No*: | IC No*: |
| Designation: | Designation: |
| Department: | Department: |

*Scan IC (front & back) —please cross with "for MOGSC use only".

We wish to enroll the participants above for:

| No. | | Emergency Response Training | Please tick (V) one course per person | |
|-----|--|--|---------------------------------------|---------------|
| | | | Participant 1 | Participant 2 |
| E1. | | Introductory to CPR & First Aid | | |
| E2. | | Crisis and Emergency Response Training | | |
| E3. | | Response to Fire & Chemical Emergency and Chemical Spills Response Training | | |
| E4. | | Response To Fire & Fire Protection System and Basic Fire Safety & Fire Protection System Training (includes site visit for practical & Transportation) | | |

RSVP Deadline: 25 January 2010

Email: mogsc@mogsc.org.my or Fax 03-4256 9286