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A Comprehensive Approach to Safe and Successful Asset Operatorship Transition

There are many drivers for transitioning an asset’s operatorship, whether it be seeking a more cost-effective operations model in a challenging market environment, the sale of aging depleted assets or the need to upgrade operations to support business strategy….

Operator transition is a Management of Change (MoC) Project, with defined parameters which benefit from independent management. The transition project requires a clearly defined Transition Execution Plan, including the desired outcomes (e.g. a seamless transition with no interruption to normal operations and minimal disruption to stakeholders), adequate resources and a formalised reporting system.

This paper draws upon Upstream PS experience over the last 20 years of transitioning Oil and Gas facilities, both onshore and offshore, often transferring the asset from Owner-Operator to a Partner-Operator model. In this scenario, Upstream PS has partnered with many asset owners, often holding the Safety Case as ‘Registered Operator’ and working with the owner to tailor and manage a more cost-effective operation. The paper details the process of planning and implementing a successful transition and the key challenges and opportunities to be addressed along the way.

Drivers for Operatorship Transition

There are many drivers for transitioning an asset’s operatorship, whether it be seeking a more cost-effective operation model, due to the oil/gas price environment, the need to adapt to an asset’s reducing production profile, the sale of aging assets or the need to upgrade operations to meet internal (shareholders, directors, employees) and external expectations (regulator, industry, community).

Upstream PS has seen a reduction in production costs (per barrel) of 5% to 15%, when transitioning from Owner-Operator to Partner-Operator. This is significantly influenced by the existing asset operation model, the parameters of the ‘partnership model’, overheads and support organisation. Partnering with multiple owners across a variety of onshore and offshore assets has provided an accessible shared resource pool and systems, including specialist support.

Defining what a Successful Transition would “look like”

The first step in any transition is to clearly identify and articulate the essential goals of the transition. What would the asset “look like” after a successful transition, what would be the Key Performance Indicators of the transition?

Who does this affect?

Those acquiring or divesting of an asset; or considering the most effective operations models for their portfolio.

How will it help?

Understand the elements to be coordinated during the transition of an asset’s operatorship, sharing insights from recent transitions of asset operatorships to highlight the challenges and opportunities.

About the Author

Neil Clegg is a Chartered Mechanical Engineer and Technical Authority for maintenance and reliability. Neil has worked in onshore and offshore maintenance, operations, LNG and project engineering internationally, involving some of the largest global projects in the Oil and Gas Industry. As General Manager - Technical for Upstream PS, he achieves operational excellence through developing and coaching teams to maintain high technical standards and pioneer leading ways of working.

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Goals could include reduced production costs per BOE (Barrel of Oil Equivalent), improved Industrial Relations, improved Health Safety and Environment (HSE) performance, reduced owner management involvement or a successful divestment. When moving to a Partner-Operator Model, considerations can include qualifications, experience and the capability to provide a credible strategy(s) to achieve goals, as well as full alignment with the owner’s transition objectives.

Having a transition-alignment workshop early in the process, is key to success. Should the transition of operatorship also involve a simultaneous change of owner, it is critical that both the previous and new owners are involved in the alignment process. The outcome of the transition-alignment workshop needs to be agreed ahead of time for the new operating team.

Following the workshop, a review of the Operations and Maintenance Services Contract should be carried out to ensure the contract supports the goals and is aligned with the requirements of the asset operatorship transition. The contract should then provide overarching rules, which are applied to all contracted parties, so as to ensure an aligned, conflict-free future relationship focussed on shared performance goals.

Identify, Understand and Align

Upstream PS has found that using a ‘Mind Mapping’ process is highly valuable to visualise all the relevant needs for the transition in the alignment workshop. The areas which are typically addressed in the transition alignment workshop are shown below.

Transition Management	Regulatory	Personnel Management	Engineering	Procurement & Logistics	Operations	Maintenance & Integrity
Owner contractor steering committee	Regulator management plan	Human resources sourcing	Document handover	Existing inventory	Organisation chart & resource plan	Computerised maintenance management system
Mobilisation transition project team	Environmental management plan	Industrial relations framework	Management of change	Contracts & service agreements	Operational philosophy	Current maintenance status
Detailed transition and handover plan	Well operations management plan	Transfer of incumbent personnel	Engineering systems and processes	Warehousing	Management support office	Maintenance resources
Schedule and budget	Safety case	Redundancy	Technical authorities	Chemicals consumable	Data, information technology & communication	Contingency extraordinary maintenance
Project reporting and monitoring	Emergency response plan	Training & competence	Engineering	Logistics	Procedures & controls	Integrity and compliance requirements
	Oil pollution management plan	Asset specific knowledge	Document handover	Procurement & Logistics		Turnaround timing

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Plan, Execute and Monitor

An operatorship transition is a Management of Change project to be managed in a similar manner to any complex project: A project team is set up, which is usually independent of the future contract operations team. A clearly defined Project Execution Plan is the first crucial deliverable which should clearly breakdown the following items:

1. Project management team, project manager, project engineer and project systems to be used.
2. Overall schedule and budget.
3. Key outcomes of the transition – “What would success look like?”
4. Allocation of responsibilities.
5. Strategies to address all issues identified in the alignment workshop.
6. Budget and resources to implement previously listed strategies.
7. Project governance (e.g. approvals, reporting).
8. Management of Change process.
9. Communication protocols to provide transparency and timely flow of information between all parties.

Health Safety and Environment Culture and Regulation

In the Australian Oil and Gas industry, management of health, safety and the environment are prerequisites for operations. Building a desirable HSE work culture is critical and requires significant time and effort. It should be a high priority outcome defining what a successful transition should “look like”.

Management time and demonstrated commitment are invaluable to establishing HSE cultural expectations. A well thought out, well-resourced and executed HSE culture program will underpin and support a successful transition.

Experience has shown that Regulatory Approvals (e.g. safety case and environmental plan) are critical to the transition schedule. A transition is a major change to an oil and gas operation and the Regulators will identify it as being a significant risk to be managed. A clear, well thought out strategy needs to address who will be the Duty Holder (i.e. Safety Case Holder), either the owner or the Partner-Operator, and whose safety or Environmental Management System will be utilised. Early, open engagement with the Regulators is essential to ensure the strategy is consistent with Regulations and their expectations. A clear understanding of any current regulatory commitments for the asset is also essential.

Managing and Meeting the Expectations of People

Upstream PS has 20 years’ experience with transitions, and the key area requiring the most management time and focus, is the transition of people. A transition will usually involve the incumbent team, owner’s employees, contract operator’s employees and new recruits. The alignment workshop and subsequent project execution plan needs to develop the people strategies to address the expectations of all parties.

Open, consistent and inclusive communications with all staff to clearly map out the transition process and how it will affect all employees, paves the way for successful people management.

An Industrial Relations Plan needs to be in place, well communicated, cognisant of existing agreements and or redundancy processes.

Ensuring a High Level of Competency

Along with the goals of the transition and ongoing operations, the core skills and competencies to safely and reliably operate and maintain facilities need to be identified. A Skills Gap Analysis along with a Training and Competency Plan will identify the time and resources required to ensure the high competency level of personnel to successfully complete the transition. The time to train personnel to reach this level should not be underestimated. The Skills Gap Analysis will also provide the basis of a targeted recruitment process. The challenge during a transition is that these activities need to be done in parallel, rather than sequentially, to meet the project schedule.

Systems and Documentation can ‘Catch you Out’

In a transition project, just as in a Brownfield project, it is systems and system integration that can provide the greatest technical challenges. The opportunity in this situation, is to simplify the processes and ways of working rather than create bridging arrangements that lead to complexity and extra work.

The alignment workshop needs to identify the systems (both existing and new) to develop an appropriate plan. Additionally, sufficient budget, resources and time needs to be allocated within the project execution plan.

The asset’s Computerised Maintenance Management System, materials management and procurement systems are a large integrated system. The transition of these systems requires focus so as not to disrupt the asset operations in the cutover phase. There is a clear need to understand the transition of supply chain scope. For example, a recent Upstream PS transition involved establishing more than 250 vender contracts to support the facility.

It is essential to ensure a full understanding of the scale and completeness of the documents to be transitioned. Regularly, documents reference other documents which are not provided, this then requires additional document development, controls and Information Technology resources to resolve.

Definition Due Diligence and Alignment of facility maintenance and technical integrity current status

When a partner-operator takes over responsibility for the ongoing maintenance a very significant amount of time resources and hence budget will be focussed on maintaining both technical integrity and production availability.

A clear and agreed maintenance and inspection scope for the initial years is essential prior to the taking over of responsibility. Once the scope is defined and agreed the most applicable maintenance strategy for all the facilities can be defined and put in place. This is an area where significant savings can be achieved by optimising the definition, planning, inspection and maintenance process.

Lessons Learned from Transitions

1. Establish and maintain focus on the transition objectives.
2. Manage the transition as a project.
3. Aim to integrate the future teams to support seamless Asset Management.

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4. Simplify the ways of working.
5. Ensure understanding of all Regulator’s expectations.
6. Establish a process to capture asset-specific knowledge.

About Upstream PS

Upstream PS is a wholly owned subsidiary of GR Engineering Services Limited (ASX:GNG) with an extensive track record in the provision of operations, maintenance, projects and advisory services. The Upstream PS team has served the oil and gas industry for more than 20 years, with a strong reputation for providing safe, innovative and sustainable solutions to production challenges.

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