Working Smart Limited

Industry Research undertaken for

Competing in a Consultancy Environment

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London, Tuesday 25th October 2005

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International Petroleum Recruitment Consultancy

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We thank the following contributors to this research:

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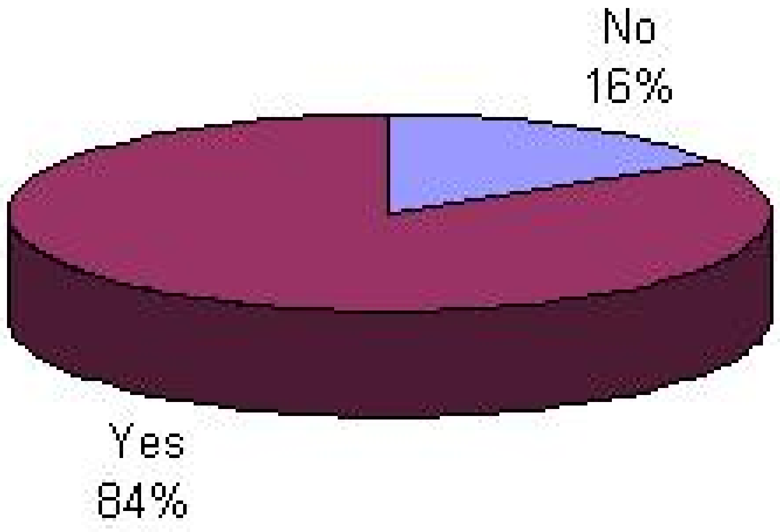
Do you hire consultants

Oil Companies:	**94% Yes**	**6% No**
Service Companies	**77% Yes**	**23% No**
Combined results:	**84% Yes**	**16% No**



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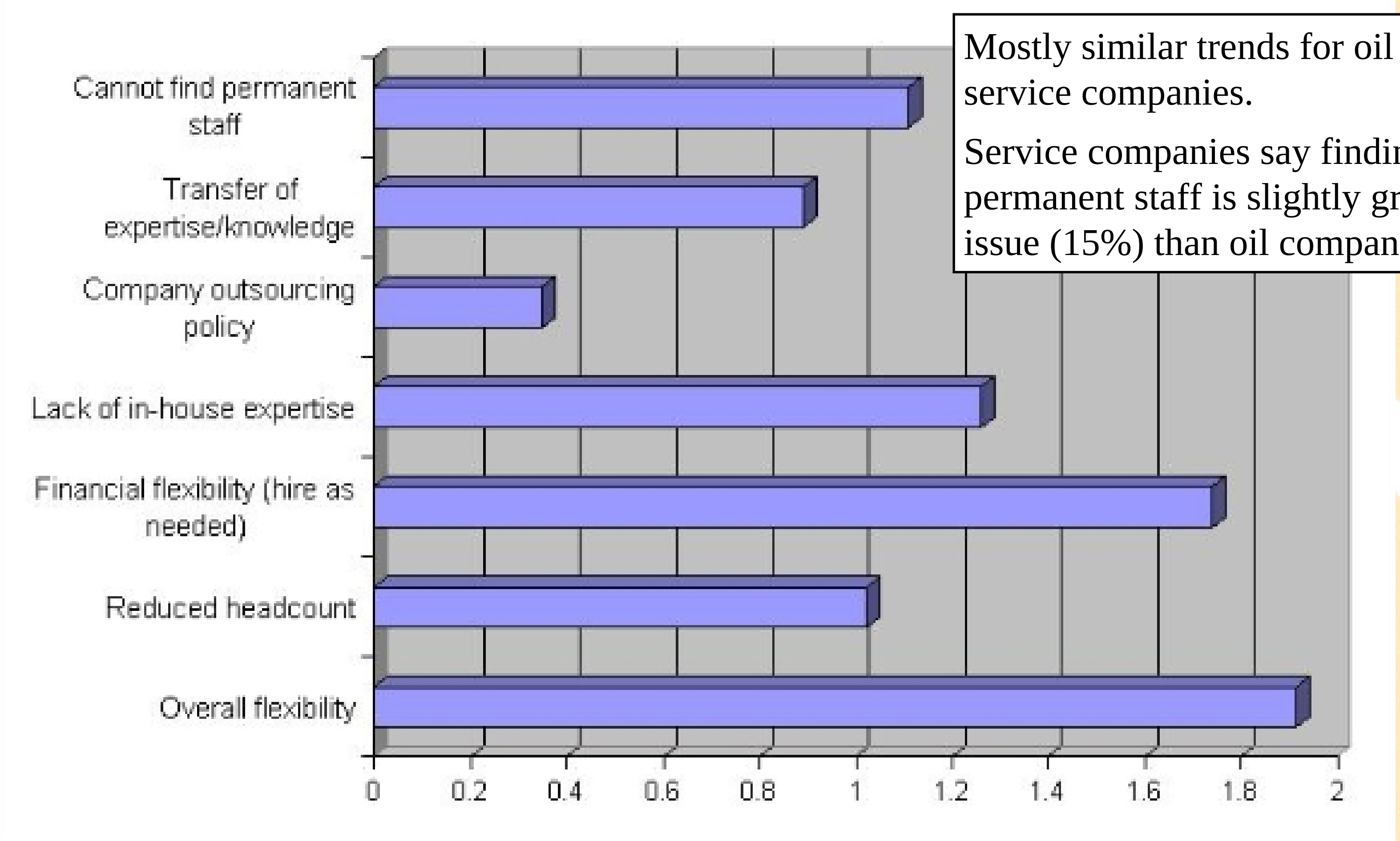
Why do you hire consultants ?



Mostly similar trends for oil and service companies.

Service companies say finding permanent staff is slightly greater issue (15%) than oil companies (11%).

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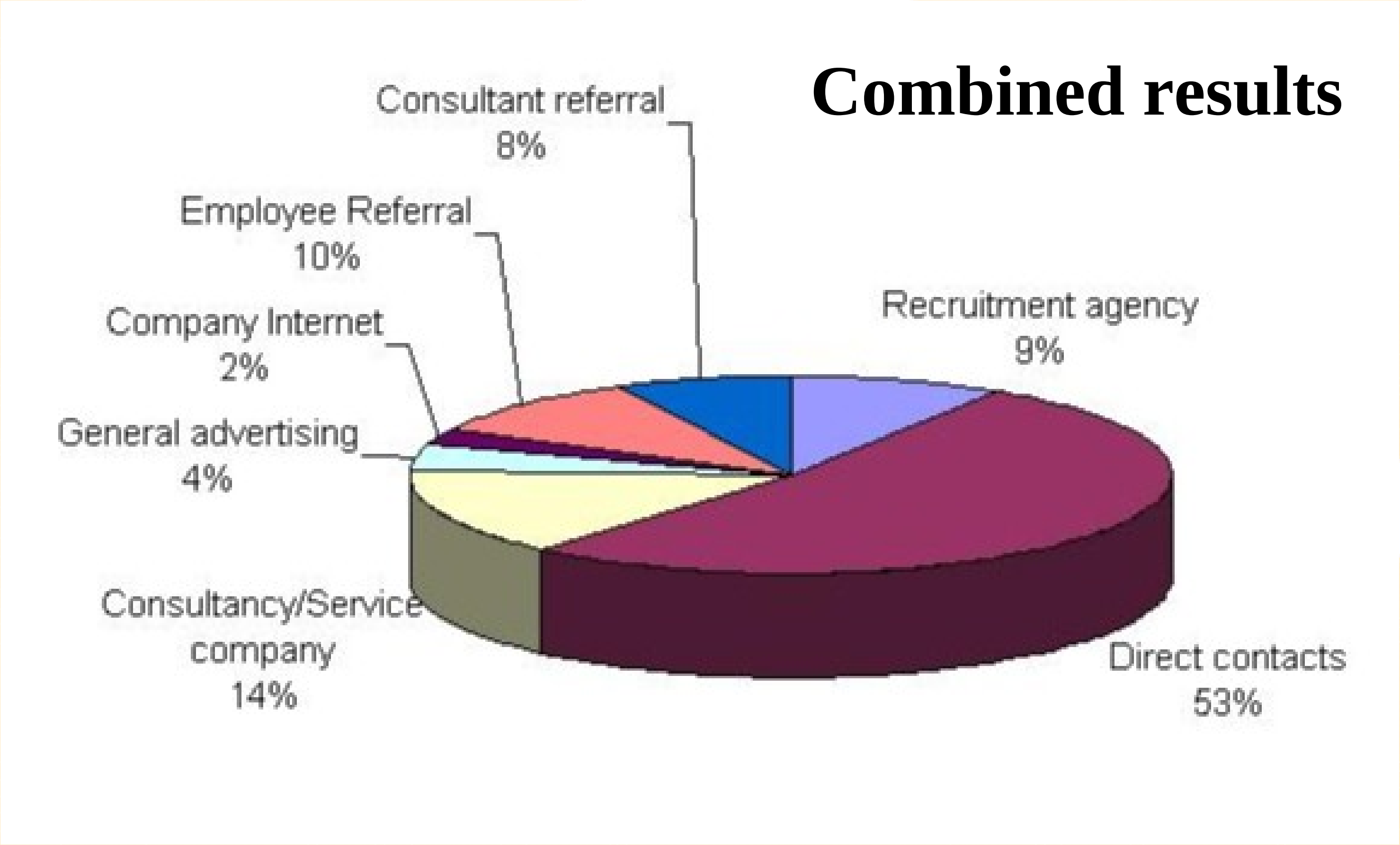
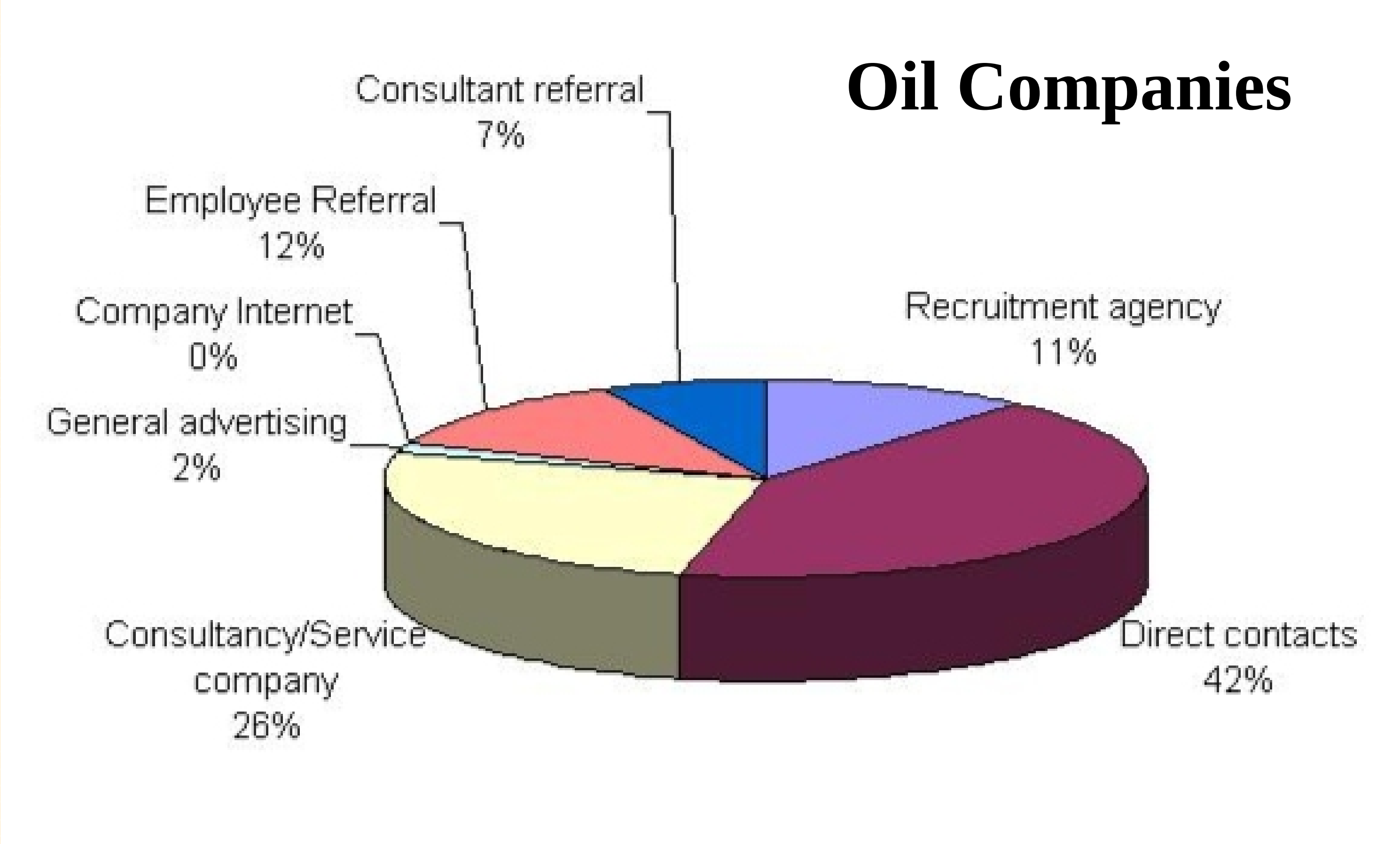
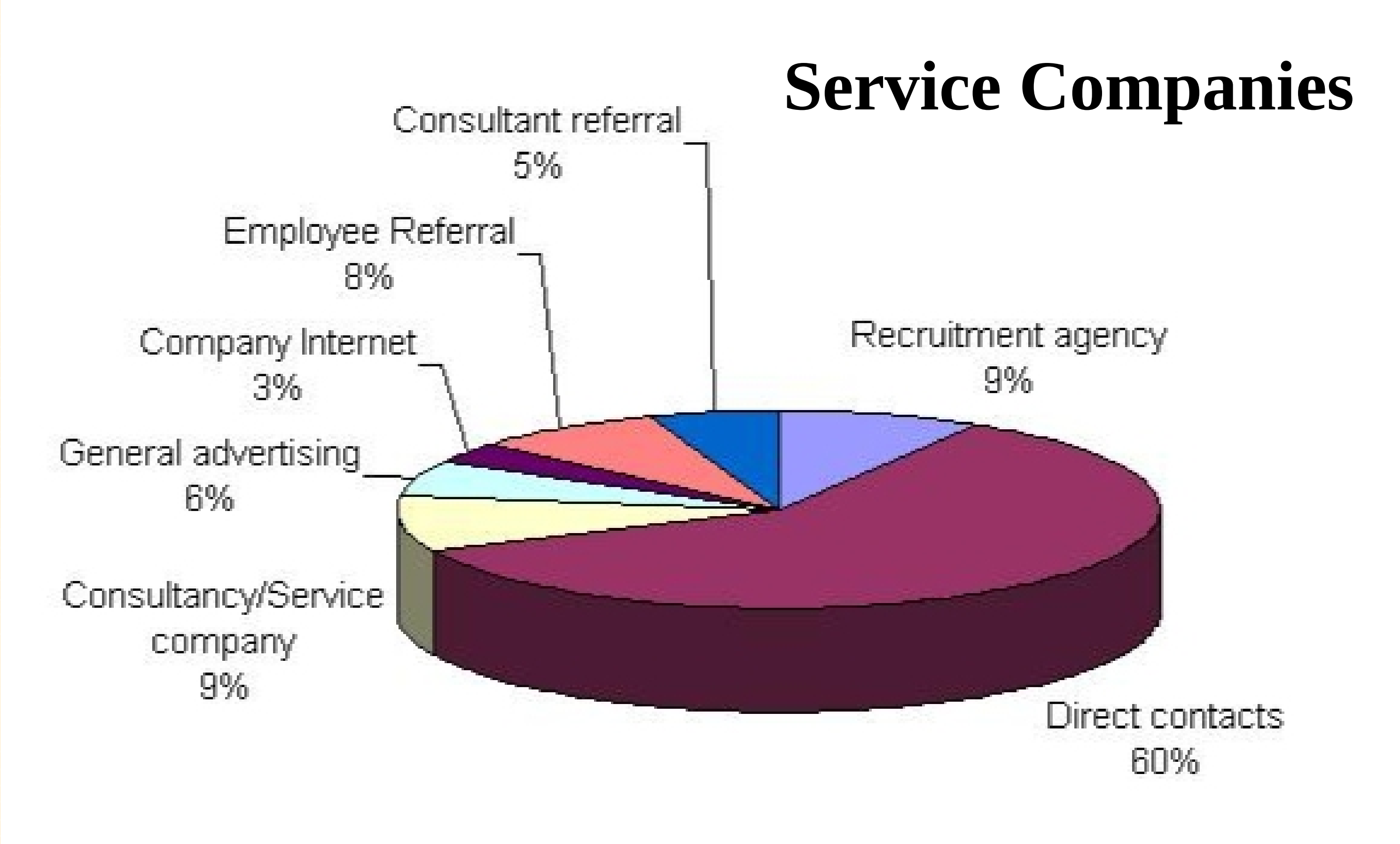
How do you locate/find consultants?



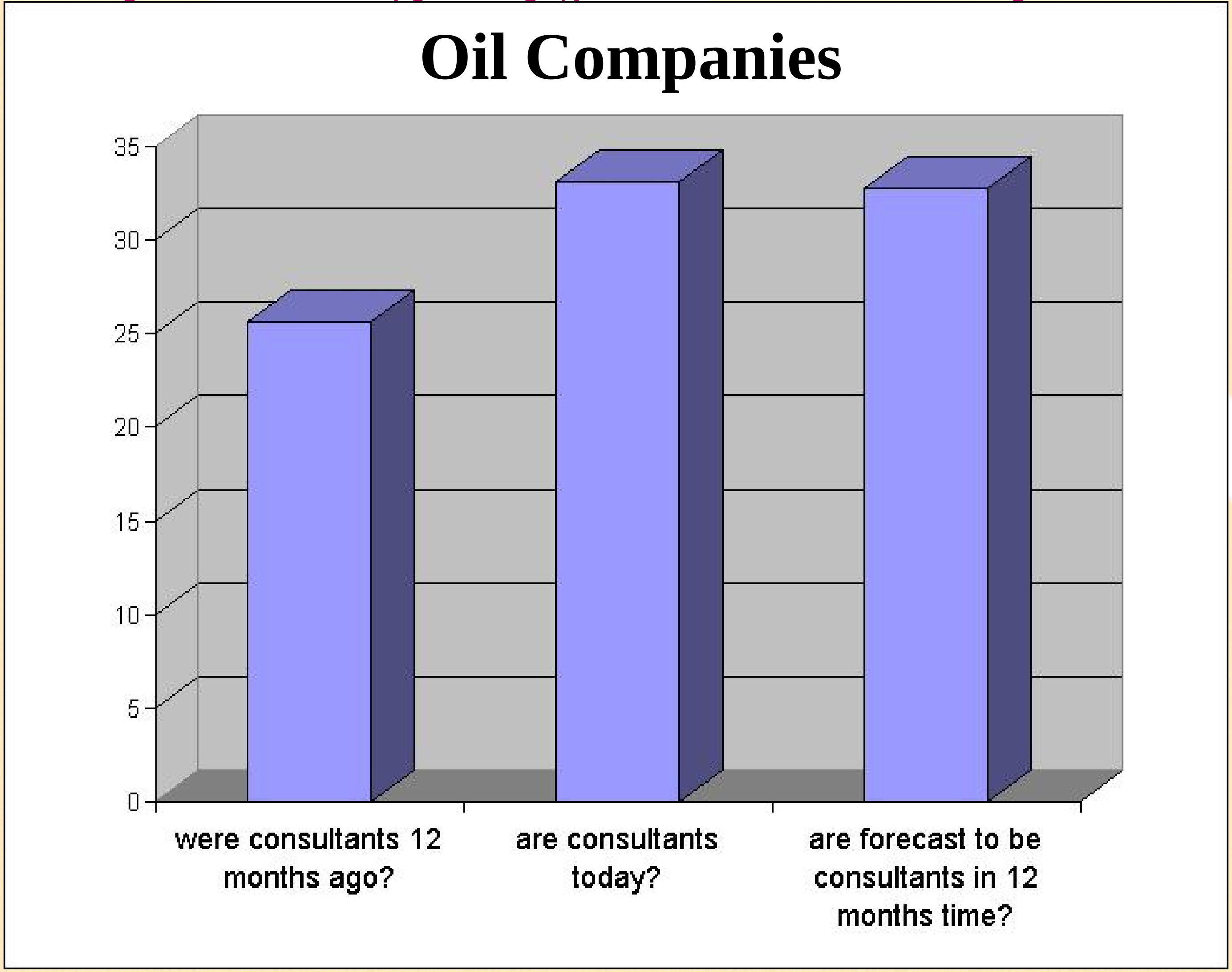
How do Oil Companies locate/find consultants?



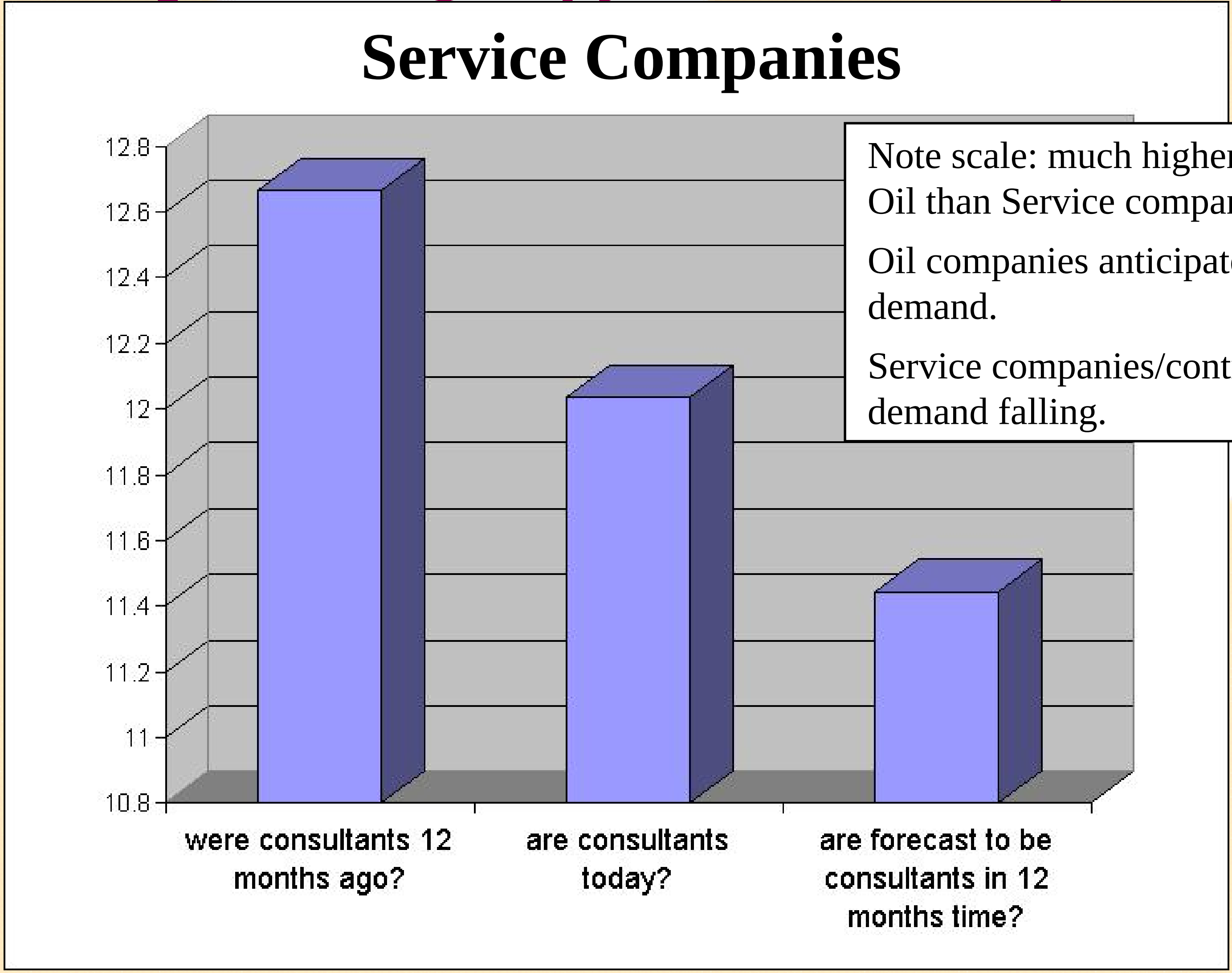
How do Service Companies locate/find consultants?



What percentage of your UK workforce……



What percentage of your UK workforce…

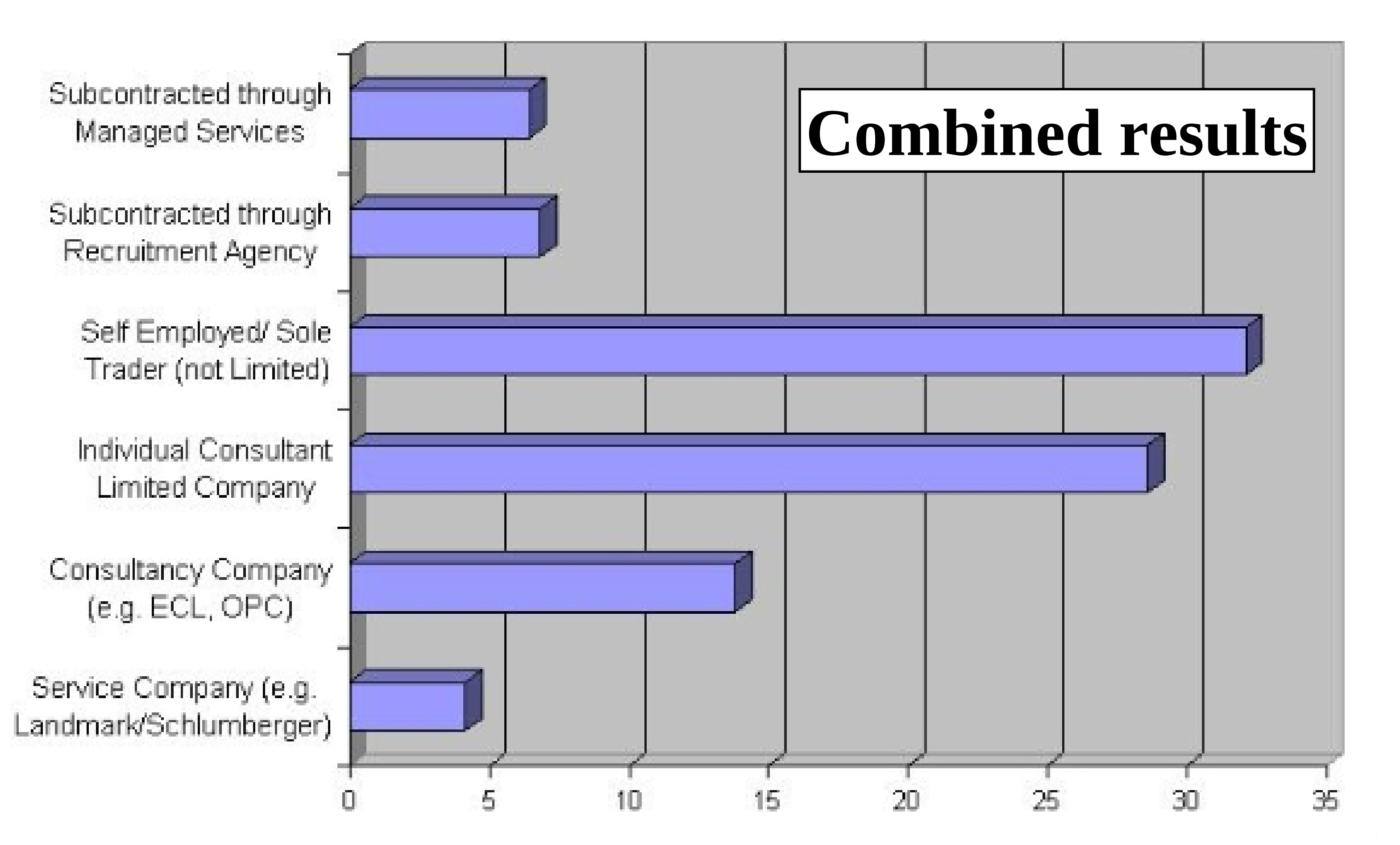


Note scale: much higher overall % in Oil than Service companies.

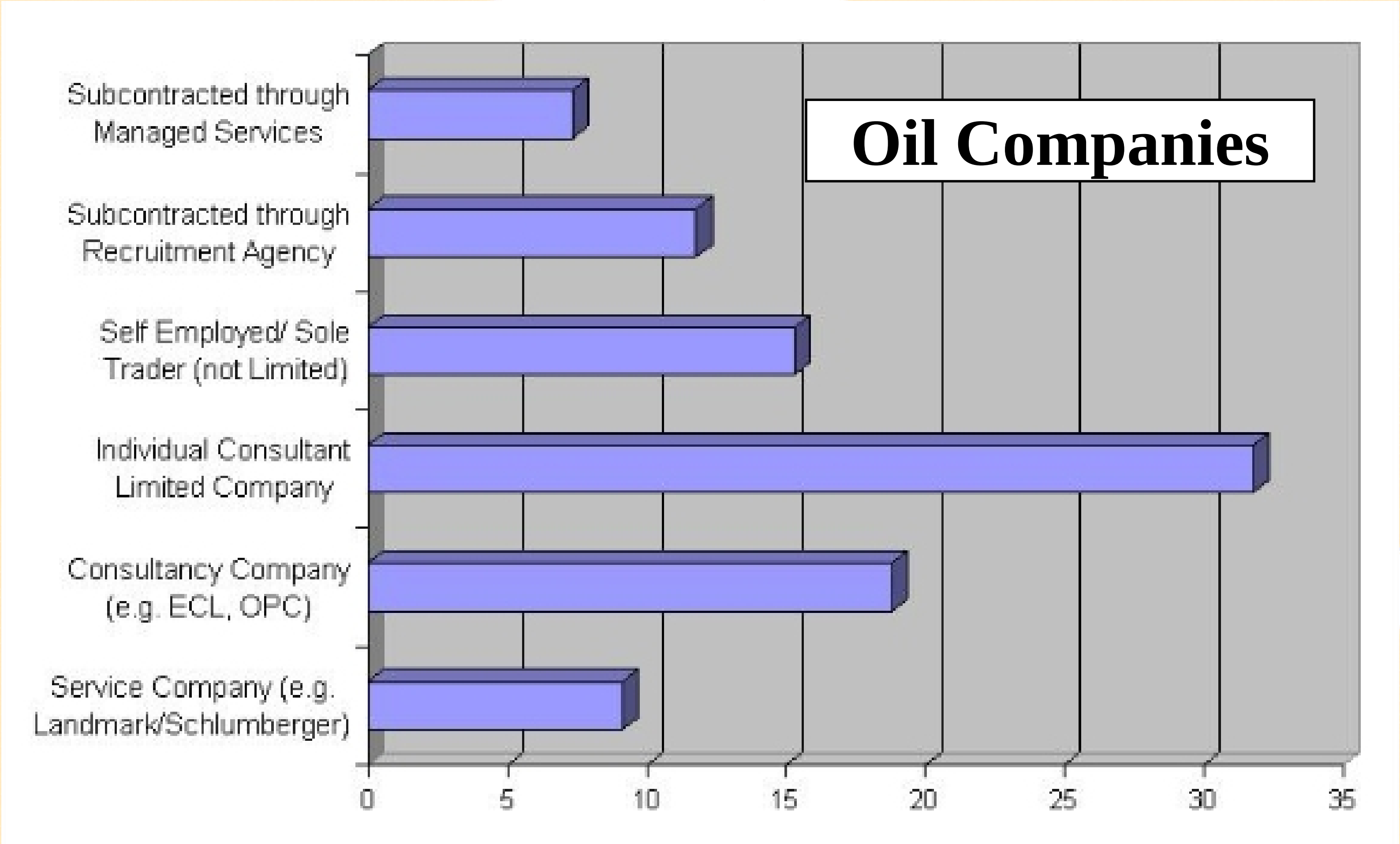
Oil companies anticipate stable demand.

Service companies/contractors see demand falling.

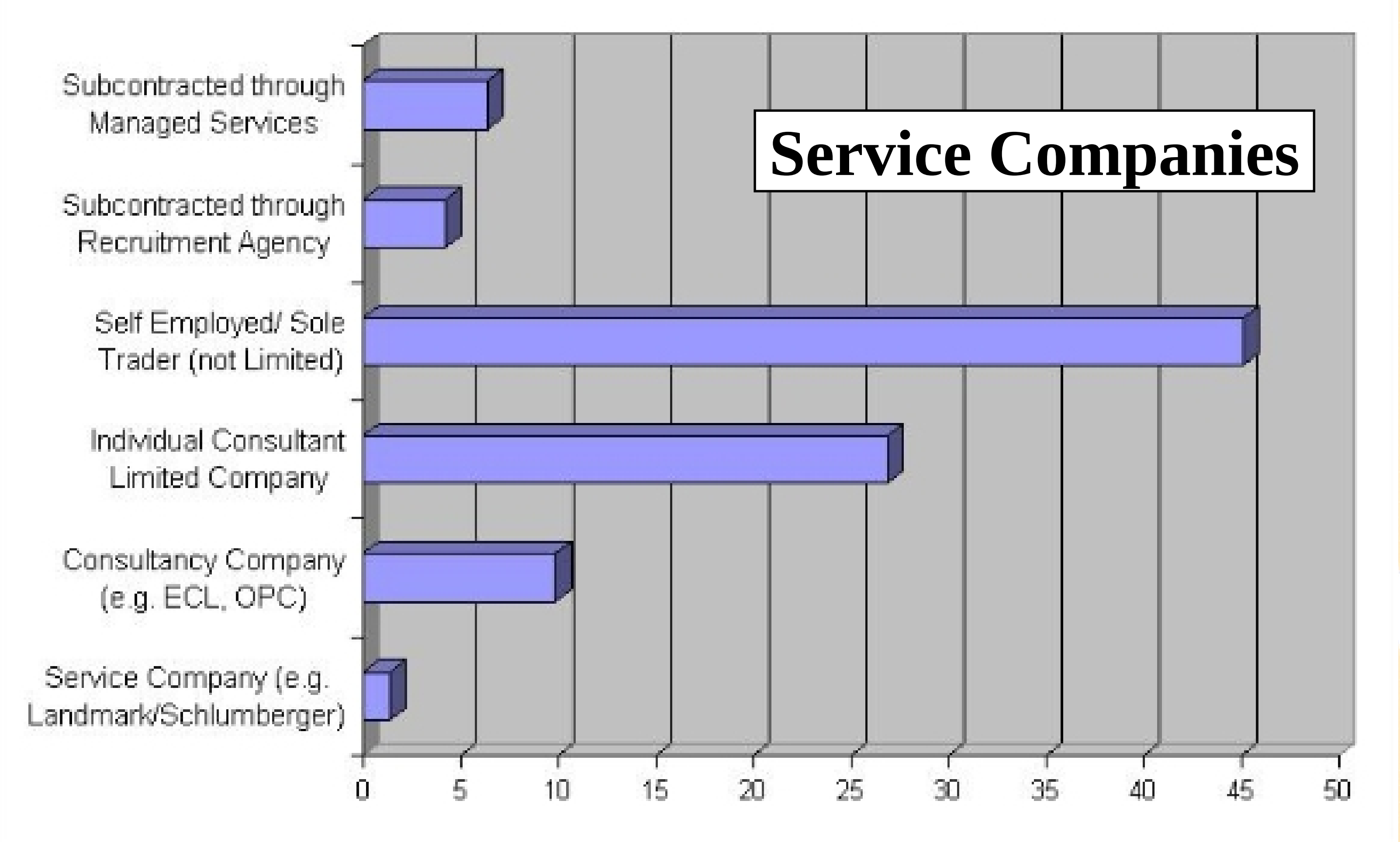
How do you contract your consultants?



How do Oil Companies contract consultants?



How do Service Companies contract consultants?

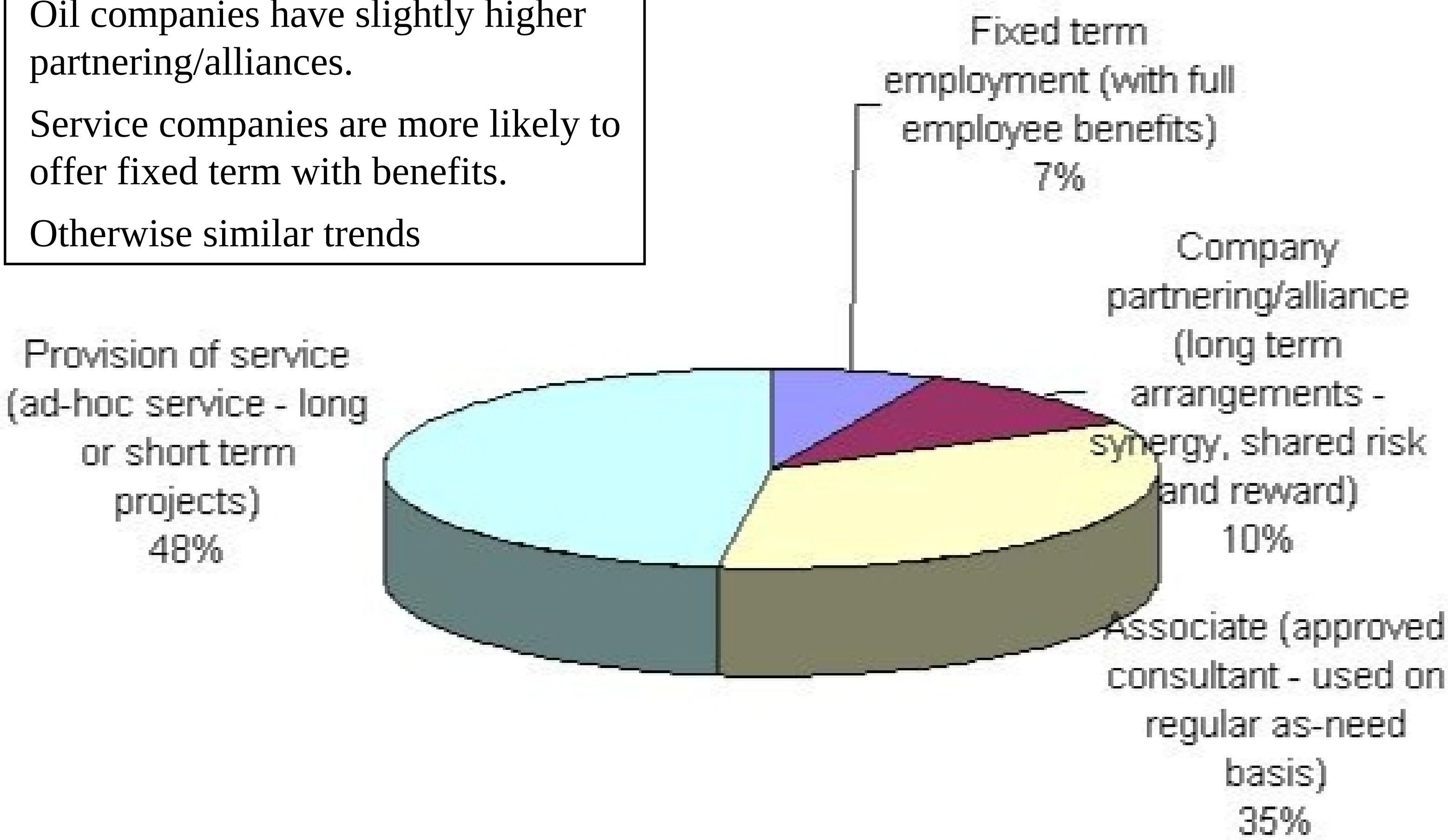


What are your contractual relationships with consultants?

Oil companies have slightly higher partnering/alliances.

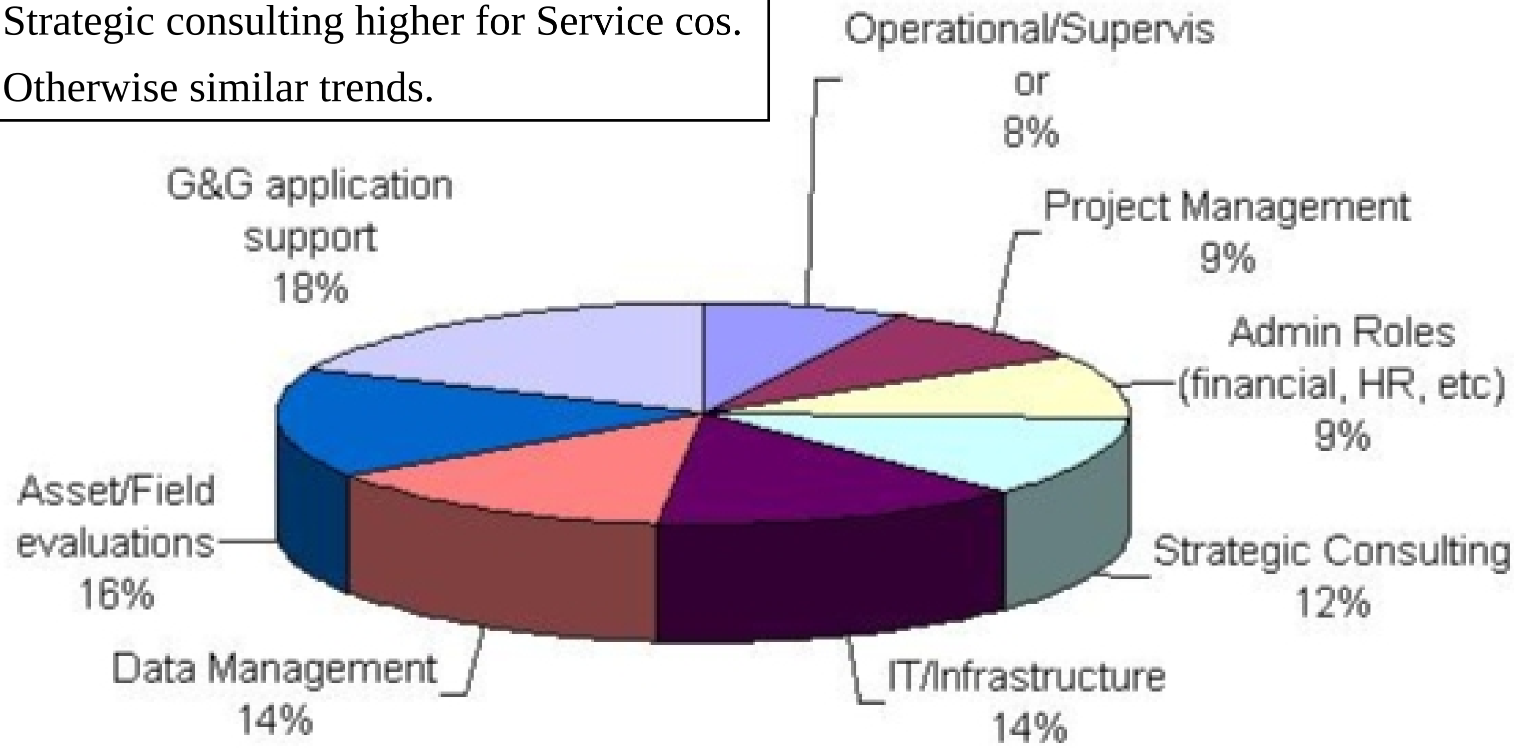
Service companies are more likely to offer fixed term with benefits.

Otherwise similar trends



What type of roles are consultants engaged for?

Asset evaluation slightly higher for Oil cos.
Strategic consulting higher for Service cos.
Otherwise similar trends.



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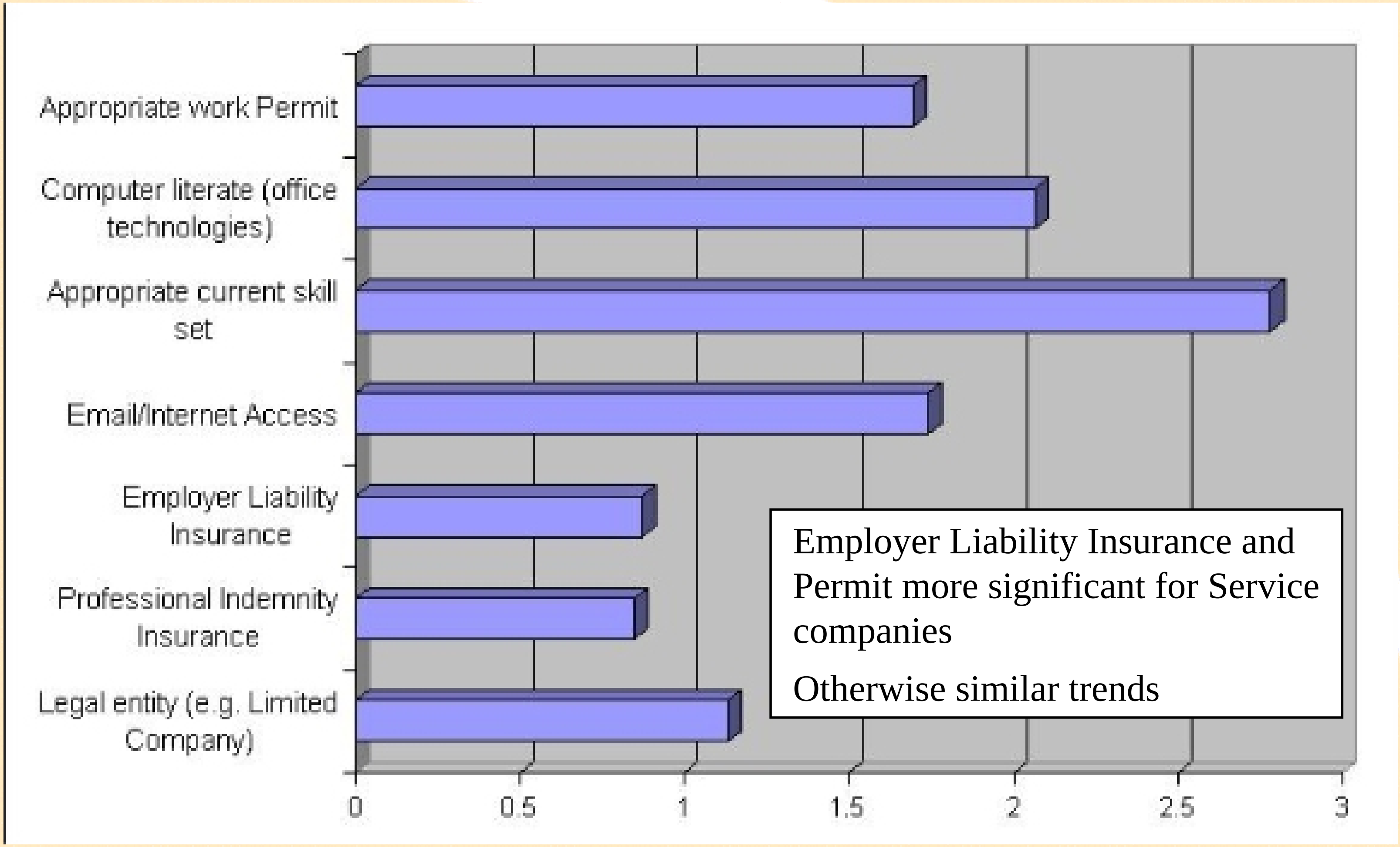
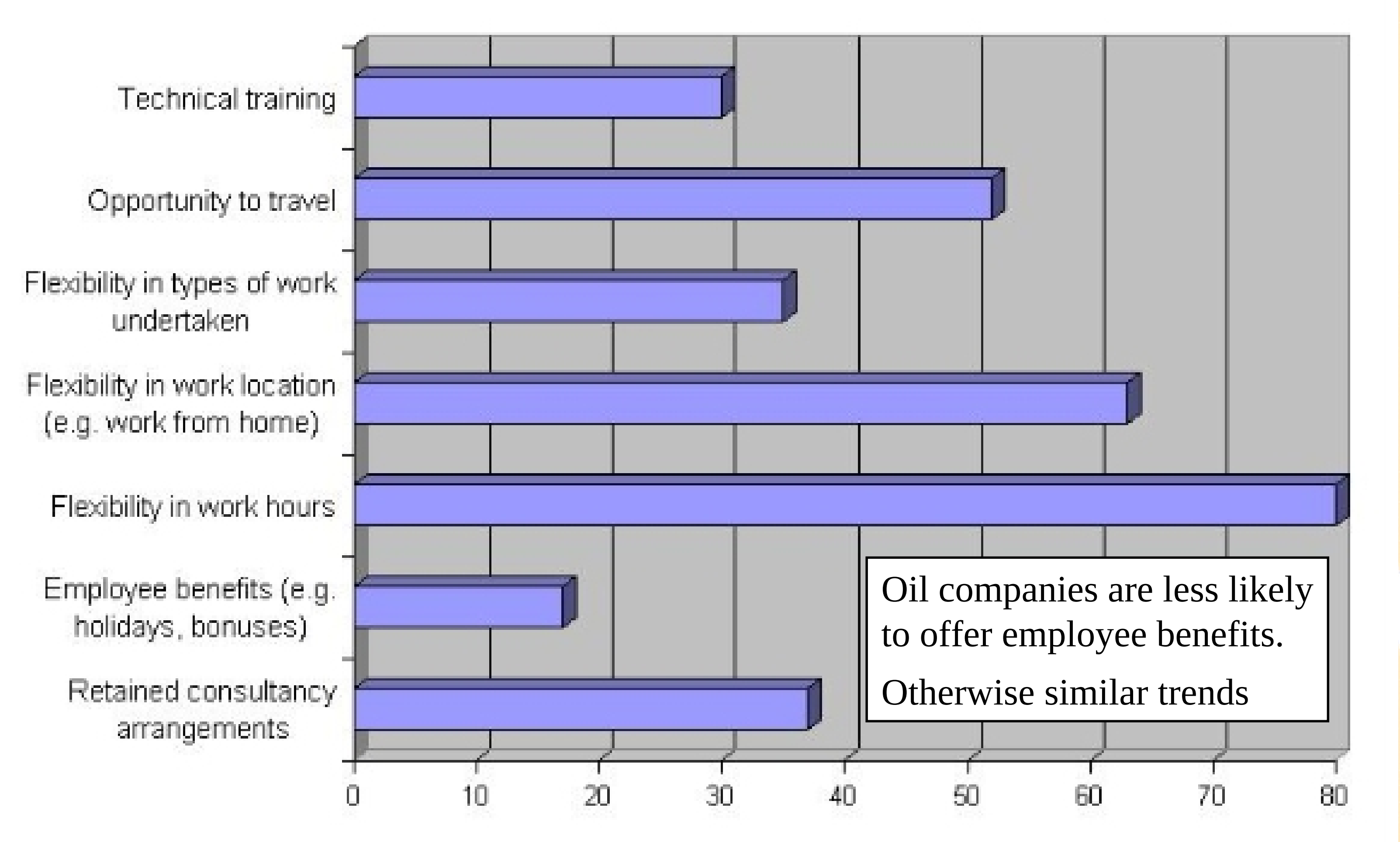
What do you expect consultants to have before contracting them?



Employer Liability Insurance and Permit more significant for Service companies

Otherwise similar trends

What do you offer consultants?



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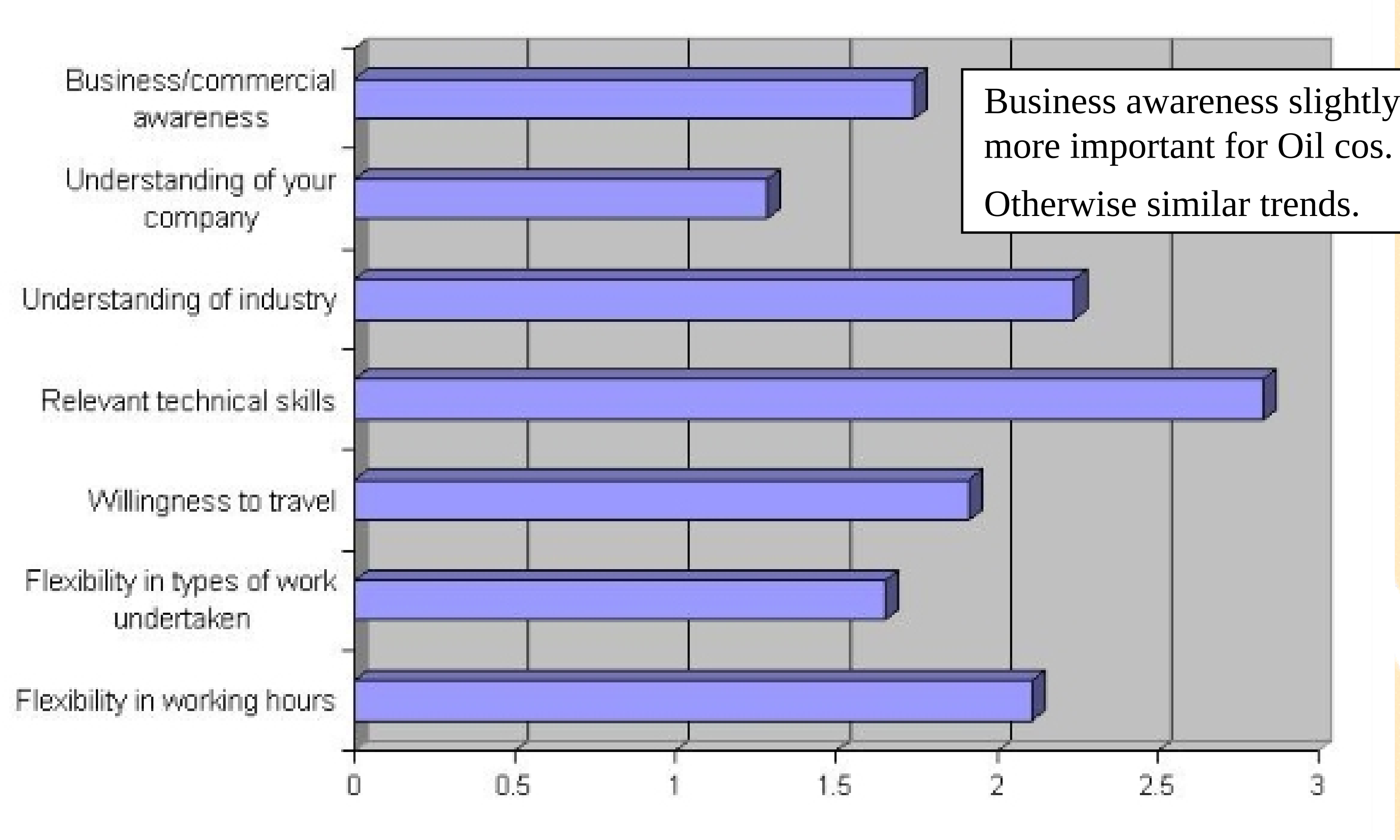
What attributes are important for Consultants to have?



Business awareness slightly more important for Oil cos.

Otherwise similar trends.

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What do you see as the trends for consultancy services in the Oil and Gas industry over the next 12 months? <u>**Oil Company Responses**</u>

- **Good consultants will be in ever increasing demand.**
- **Either, more will become available due to increase in work availability or less, as they are taken up by larger companies as full time employees.**
- **Consultants used more to cover skill areas not easy to recruit quickly.**
- **Consultants need to be willing to travel.**
- **Technical/operational opportunities are buoyant so rates are rising as resources become scarce.**
- **Age/experience reduction as older hands retire.**
- **Trend will increase as unable to retain or hire skilled competent staff.**
- **The increase in jobs is forcing us to use consultants.**
- **Quality may drop as under-resourcing in the last decade has seen many leave the industry.**
- **Consultancy services offer flexibility and knowledge/skills.**
- **We are short of good people to implement projects - there's upward pressure on staff and consultants.**
- **Increasing demand at the more experienced end of the market. At the less experienced end (<10 years) we are tending to hire rather than contract.**
- **More senior / experienced geoscientists getting high rates to cope with peaks of work**
- **Overpriced due to demand. It will tail off over 12-18 months as IPO and fundraising work loses its current intensity.**
- **Probably an increase as the demographics dictate that a significant % of permanent employees will retire!**
- **There is a trend for improved levels of employment for consultants.**

What do you see as the trends for consultancy services in the Oil and Gas industry over the next 12 months? Service Companies (1 of 3)

- I predict more staff moving from employed status to self-employed.
- We are seeing an increasing number of consultants looking to maximise their return by working on a risk / reward basis. This can give a small company flexibility to grow, increasing the attractiveness of consultants.
- As companies lose experienced personnel through a growing trend towards early retirement, good consultants are able to fill the gap without adding to the staff overhead.
- Buoyant sector with shortage of skills.
- Buyers Market; lack of experienced staff; consultants will flourish at expense of staff positions.
- Speaking for our N.American group, we are more likely to seek permanent employees of appropriate calibre.
- Consultancy roles continuing to play vital role in our core business.
- Increasing demand, restricted supply, big money!
- Due to the shortages of qualified people in the industry I anticipate the majority of independent consultants, and some consultants at agencies, will take up full time employment, so they will become harder to find.
- The market will crowd out with an oversupply of less competent wannabees
- Given the significant employee 'movement' in the O&G and services industries in the last 6 months, I see an upward trend of competent folk coming out on their own to 'sell' their services.
- If the oil price remains as it is there will be an increased demand for technical staff and hence increased demand for contractors to do short-term assignments.

What do you see as the trends for consultancy services in the Oil and Gas industry over the next 12 months? Service Companies (2 of 3)

- I have seen an increase in technical candidates preferring to contract rather than be permanently employed.
- Consulting roles at all levels will significantly increase as demand for good quality resources exceeds supply.
- Consultants will increasingly be used on a project basis, and based on specialised skills not available in-house.
- The increase in small independents in the North Sea are likely to lead to a substantial increase in demand.
- Increasing due to sustained high level of exploration activity.
- More demand, higher rates
- Operators will continue to squeeze consultancies through continued aggressive hiring practices.
- Smaller consultants preferred against larger scale rivals who have failed to deliver .
- Increasing due to level of outsourcing and high oil price.
- Sustained growth because of resource constraints and skill shortages; increasing day rates for those prepared to travel and ready for new challenges.
- The recruitment market feels very tight for permanent staff at the moment and it seems to take longer to find the right skill sets.

What do you see as the trends for consultancy services in the Oil and Gas industry over the next 12 months? <u>Service Companies</u> (3 of 3)

- With the ongoing 'talent war'; companies will seriously consider adopting consultancy services instead of having to be on their toes on what they can do to retain their depleting workforce.
- Our staff will be lured to oil companies with the larger benefits packages, but the requirement for a vibrant consulting community will continue to exist.
- As the work force ages and retires, the work will continue to need to get done. A community of senior, semi-retired consultants will establish itself, which will march to its own drum, as they will have the flexibility of working when they want to, not because they need to.
- Until the larger consultancies find a way to compete with the oil companies in terms of total package, the oil companies will continue to cannibalise the consulting community at will.
- Reduced levels of skills and experience means more employment for contractors rather than problem solving consultants.
- Ability to differentiate even more keenly felt - with possible increased specialisation.
- More promotion of external best practice.

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Competing in a Consultancy Environment

Thanks again to all who contributed towards this research.
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