Extreme Margin and Cost Cutting,
Maximizing Project Value Beyond Cost Cutting

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Unless otherwise indicated, all financial information in this presentation is in Canadian dollars and in accordance with Canadian generally accepted accounting principles.
Flint Energy Services at a Glance...

- $1.6 Billion in Revenue in 2010
  - $2.2 Billion in Revenue in 2008
- Employs 9,000+ people, North America
- Employs 2,000+ people USA
  - 12,000 employees in 2008
- Alberta’s 8th largest employer (Ranked by AB Venture Business)
- Best Workplace: Health and Safety 2010 (Ranked by Alberta Venture)
Full-Cycle Services

- **OILFIELD SERVICES**
- **PRODUCTION SERVICES**
- **FACILITY INFRASTRUCTURE / Major Projects**
- **MAINTENANCE SERVICES**

**Early cycle**
- Upstream Drilling
- Midstream Production

**Late cycle**
- Downstream Refining

Transportation, Construction, Manufacturing & Maintenance
Oilsands Market Trends - CAPEX

Source: Oilsands Developer Group Presentation

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Jan 08 OSDG Data
July 10 Adjusted Data
Oilsands: Yesterday, today and tomorrow’s Market..!

<table>
<thead>
<tr>
<th>Year</th>
<th>Available Construction</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Low</td>
<td>Less Competitive with little capacity</td>
</tr>
<tr>
<td>2010</td>
<td>High</td>
<td>Highly Competitive with available capacity</td>
</tr>
<tr>
<td>2012</td>
<td>High</td>
<td>Highly Competitive with available capacity</td>
</tr>
<tr>
<td>2014</td>
<td>Low</td>
<td>Less Competitive with little capacity</td>
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</table>
Quantifying Value

Customers generally perceive Value in the following way:

\[ \text{Value} = \frac{\text{Results} + \text{Quality}}{\text{Cost} + \text{C.A.C}} \]

**Results:** performance, schedule and adherence to commitments

**Quality:** includes actual quality, safety, level of sophistication

**Cost:** the relative cost as compared to alternatives

**C.A.C:** Customer’s Access Cost = Client’s cost of doing business with you

Formula Reference: Value Profit Chain  
Heskett, Sasser, Schlesinger
Customer Value Equation

- Customers perception of value changes over the life cycle of a project.
- Different Stakeholders perceive value differently.
- Projects can be generally described in 3 phases:

\[
\text{Value} = \frac{\text{Results} + \text{Quality}}{\text{Cost} + \text{C.A.C}}
\]

Award Phase

Execution Phase

Turnover Phase

Supply Chain Value ------- Project Mgmt. Value ------- Operations Value
Customer Value Equation

Example Case: Customer Y 2010
Past Scenario with abundance of Construction Capacity

Owners Award Criteria (provided):
- Technical 10% (Team, Process, Systems, Quality, Competence, etc.)
- Commercial 80%
- Safety 5% (Quality)
- C.A.C 5%

Value = \frac{\text{Results} \, (10\%) + \text{Quality} \, (5\%)}{\text{Cost} \, (80\%) + \text{C.A.C} \, (5\%)} \approx \frac{\text{R}}{\text{C}} + \frac{\text{Q}}{\text{CAC}}
Customer Value Equation

Example Case: Customer X 2011+
Today’s scenario in a market that is quickly heating up!

Owners Award Criteria (provided):
• Technical 50% (Team, Process, Systems, Quality, Competence, etc.)
• Commercial 30%
• Safety 15% (Quality)
• Community Involvement 5%

\[
\text{Value} = \frac{\text{Results (50% + 5%)} + \text{Quality (15%)}}{\text{Cost (30%) + C.A.C (≈ 0%)}} \approx \frac{\text{R}}{\text{C}} + \frac{\text{Q}}{\text{CAC}} + \frac{\text{Q}}{\text{CAC}}
\]
Modeling Value Offering

Value Alignment: Contractor and Customer X

Customer Value Curve

Value Score

Team: R35%
Cost: C30%
Plan: R10%
Safety: Q10%
Local Inv.: R5%
Labour: 5%
Systems: Q5%

Contractor Value
Owner Expectations

Value Criteria (Weighted by Customer Perception)
Modeling Value Offering

Value Alignment: Customer X

Customer Value Curve

High Perceived Value

Low Perceived Value

Value Criteria (Weighted by Customer Perception)

Team: R35%  Cost: C30%  Plan: R10%  Safety: Q10%  Local Inv.: R5%  Labour: R5%  Systems: Q5%

Value Score

4  5  6  7  8  9  10

Comp. 1  Comp. 2  Comp. 3  Owner

JOURNEY INTO UNCHARTED TERRITORIES

43rd ANNUAL ECC CONFERENCE
Maximizing Value

Commercial Model:

- Lump Sum ↔ Reimbursable/fixed components
  - Align the contract with the market conditions
  - Engineering readiness and Material status
  - Reduce unacceptable levels of Risk transfer

Short term vs. Long term:

- Project ↔ Program Mentality
  - Increase Contract’s utilization of resources: Labour and equipment
  - Implement Lessons Learned and KPI performance management culture
Maximizing Value

Alignment of Strategic organizational goals:

- Contractual Relationship ↔ Collaboration
- Greater collaboration between Owner and Contractor
- Align the Commercial model
  - Award success
Questions

Thank You