
From: Barrett, John T <John.T.Barrett@conocophillips.com>
Sent: Thursday, October 06, 2005 11:01 AM
To: Flood, Patrick M <Patrick.M.Flood@conocophillips.com>
Subject: FW: DRAFT REPLY: Alyeska reconfiguration - letter to Muiva

-----Original Message-----

From: Flood, Patrick M
Sent: Wednesday, October 05, 2005 4:58 PM
To: Barrett, John T
Cc: Drumm, T.Mark
Subject: RE: DRAFT REPLY: Alyeska reconfiguration - letter to Muiva

I added some additional language and eliminated the information that can be found in the attachment.

Pre-sanction Review

A pre-sanction Owner review of the TAPS Strategic Reconfiguration Project was performed in October 2003 (note an early preliminary engineering project assist/review was held June 2003). All five Owner Companies participated. ConocoPhillips had 7 representatives, 5 from Infrastructure Engineering and Project Management. A joint Owners' report was issued immediately following the review. The report, including a list of action items and attendees, is attached.

Post Review Actions

All recommended actions and deliverables were addressed prior to sanction of the AFE. The AFE costs were reviewed by third parties, including Larkspur and Alaska Construction Contractors. Savings were scrutinized by Owners' staff. The next best alternative was fully evaluated and a comparison of alternatives was completed on a component basis. Costs related to separately justified work were identified and funded separately. The probability analysis included costs, savings, and a prediction of overall project performance. A detailed project execution plan indicated a tight schedule with zero float, but the project appeared doable with timely decisions. The impact of delay was analyzed, but not recommended because of increased costs and a significant loss of savings.

Original Project Sanction Timing

The AFE was approved in March of 2004. Long-lead materials were ordered immediately and detailed engineering began.

Project Challenges in Hindsight, Current Outlook

The project team was handed a deadline and conceptual engineering cost estimates that were improperly used as benchmarks. The project was "boxed" into those parameters instead of being allowed to fully evaluate options, costs, and risks. The resulting cost estimates and probability analyses were not realistic. This did not become apparent until additional engineering was completed.

For schedule reasons, the project was approved at the end of preliminary engineering. The engineering appeared to be well progressed at that point, but the project scope was not fully established until well into detailed design. Several assumptions from conceptual engineering and

the "value engineering" process were too aggressive and had to be changed.

During detailed design, the engineering contractor did not secure sufficient resources and did not employ effective project controls. This contributed to schedule slippages and the inability to predict cost and schedule impacts. Slow decisions, lack of stakeholder alignment, and insufficient engineering resources caused significant delays.

The Owner-lead initiative created resistance within the Alyeska organization that resulted in a lack of internal resources and alignment. It is obvious that the project would not have progressed to this point without outside help, but the resistance was more than anticipated and caused significant problems and delays.

Operational readiness continues to be a concern, but the recent changes to make this an Alyeska-lead project should help create alignment. Additional Alyeska resources have already been added to the team. Alyeska has taken over project management from the engineering contractor and the project execution plan has been revised to include detailed plans from Alaska Construction Contractors. Module fabrication is over 50% complete and field construction is approximately 20% complete. The Owners companies will continue to watch progress and intervene, as necessary.