

# Dealing with Oilfield Service (OFS) Complexity - Part 1

**simplicity is the  
ultimate form of  
sophistication**

*Steve Jobs*

Some will argue that oilfield technology drives complexity challenges that are unique to our industry. We disagree. Every industry has to deal with issues of increasing complexity. Consider two examples: Unsatisfied with simply flipping a switch to turn on lights, we can now turn our lights on and off from anywhere in the world — as long as we have an Internet connection. Our cars can sense objects behind us or in front of us and automatically apply brakes to keep our loved ones safe. These and other innovations increase the complexity of almost every product in every industry. What makes the OFS industry unique is the extraordinary low volumes of complex technology we must supply for any given well anywhere in world.

Most wells are engineered to order to address unique combinations of reservoir characteristics such as pressure, temperature, fluid chemistry, and production volumes. Customer preference also plays a part in driving unique engineered solutions, as do innovation, competitive forces, and demands for local content.

The temptation to raise the banner of standardization is real, but results are elusive. In many cases the customization and innovation offered by OFS competitors in a custom well design that could be shown to provide marginally better performance as compared to the company's standard well. With production measured in thousands of barrels per day, even the smallest cost savings or production increase can be important to the reservoir owner, particularly when improvement is measured in pennies per barrel.

We believe the better approach for OFS supply chains is to deal with the complexity head on. Complexity isn't the enemy. Customers are willing to pay for demonstrated performance improvement. The challenge is how to deal with complexity and to offer the customer exactly what they want, when they want it, at an economically viable price, and at a superior margin. Other industries can show us the way. The computer industry for example has mastered mass customization. We can order from an unlimited variety of options from a manufacturer's websites

and computers that are assembled halfway around the world from standard components. Even when the extended lead-time is measured in months or years, we are able to get exactly the computer we want within days. We believe there is much to learn from applying other industries approach to OFS standardization.

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