

Negotiation

Skillful negotiation helps natural resources company dramatically reduce its costs



Tradition Energy advised this oil well company by renegotiating an energy agreement, locking in future costs, and saving them almost \$2 million.

Services Provided

- Market Research & Intelligence
- Strategic Risk Management
- Supply Management & Procurement: Electricity and Natural Gas
- Budgeting and Forecasting
- Demand-Side Management: Recalibrating Meter Profiles
- Demand Response

Opportunity

- Tradition assisted its client, a natural resources energy company, in achieving their objective of reducing operating costs and increasing net operating income for each of its wells by capitalizing on its on-shore producing properties.
- Current electric utility-associated costs account for 40% of this client's total operating costs. Although the client had a centralized strategy in place for all producing wells, they had been advised to purchase a 5 MW block energy product, which resulted in "overbuying" their power.

Approach

- Tradition analyzed this client's current block energy strategy by looking at their historical hourly load settlement data and determined they were "over hedged" by about 1.5 MW annually.
- Comparing the risk exposure and lost dollars on their current product vs. a fixed energy product helped Tradition's experts illustrate to the client precisely what problems to address. With recommendations from Tradition, the client flipped to a fixed energy product for the remaining six months of their contract terms.
- Tradition simultaneously negotiated a new contract in the forward market for a longer term fixed energy product.

Results

- Tradition assisted the oil producer in negotiating a fixed delivery product for the remaining six months of the client's previous contract, which **delivered a savings of \$140,000.**
- After executing a new contract using Tradition's recommendations, **the client realized over 37% in savings totaling \$1.8 million over 24 months.**
- Tradition continues to work closely with this client's accounting and field operators to make sure adding more wells is a seamless process as exploration and acquisitions increase.