



World Energy interviews Kemal Farid, President and CEO of Merrick Systems, Inc.

World Energy: Tell us about your company. How it was founded, and why has it done so well?

Farid: Merrick Systems was founded in 1989. We grew strongly in our initial market, finding a niche with software for regulatory compliance in oil and gas production operations. In 1997, Merrick expanded its product line to handle broader needs in oil and gas production operations. Today, we're a market leader in field data management and hydrocarbon production accounting.

Our products handle a variety of operations and data-management needs within the upstream oil and gas industry. All our products address the basic need to improve the capture, availability and quality of operational data. In an industry with increasing focus on operations, this is an imperative.

Our success has come from our focus on our clients. Certainly, to survive as an oil and gas specific software company, you must have first-rate software and domain competence. But to thrive, you must be client driven.

World Energy: Your company has grown more than 40 percent per year since 2000. Is this growth rate sustainable?

Farid: The opportunity is clearly there. The industry is shifting from an exploration focus to an exploitation focus. Historically, there has been an underinvestment in information technology for operations. But the industry is now playing catch-up, and we are seeing continued increased spending on all our product areas.

Innovation has been the key to Merrick's success. We utilize innovative technologies such as handheld and tablet PCs and radio frequency identification, or RFID. Initially, the innovation came internally. Merrick developed products with an in-house staff of product designers and developers with the founders in key product roles. As the business grew, Merrick found opportunities to acquire new products externally. The first of these acquisitions was a data-management application acquired from Houston-based Ocean Energy. The 2002 deal worked well for both parties, and the application, RIO, has done well in the market.

Merrick has grown its products both internally and through acquisition. We have acquired half a dozen products through acquisition since 2000. Some of these are technologies developed in-house by our clients.

World Energy: Given the huge demand for information technology solutions, tell us the ways that Merrick's products fulfill these industry needs.

Farid: Merrick's best-of-breed products include the ProCount suite for hydrocarbon accounting and production

allocations, DynaCap and eVIN for field operations and data capture, numerous regulatory reporting modules for production and health-safety environmental compliance, Carte for Web-based production monitoring and analysis, and RIO for reservoir and well-asset management. Merrick provides client services addressing both business and technical needs, including project management, systems integration, IT infrastructure, product training, implementation and accounting support.

World Energy: Sarbanes-Oxley section 404 is increasingly becoming top of mind for everyone operationally. How does your company help others stay SOX compliant?

Farid: Essentially, Sarbanes-Oxley is about good business practices, including maintaining proper controls and checks to ensure that information – especially information like run tickets that impact financial results – is being correctly generated and reported. Merrick keeps up with SOX requirements and other standards as a member of organizations like POSC, COPAS and ISACA and continually works at maintaining best practices in software development and technology support. We believe that the controls and checks for correctness need to be built into our software and into the workflows supported by our software. For example, we put a lot of emphasis on data validation in the field prior to receipt at the central office for processing. At the same time, the back-office application has full auditability and traceability for proper controls on production accounting processes.

World Energy: Data quality is a huge issue. What new products are you offering to help companies fill their data-management needs?

Farid: In today's vibrant market, an operator's most precious commodity is the hydrocarbons it produces. Having reliable data accessible so that smart business decisions can be made is paramount to the ultimate success of the company and the value it delivers to its shareholders. So the quality of the data must be beyond reproach.

With Merrick's RIO [Reservoir Information Online] solution, we are providing a means to deliver this high-quality data at the enterprise level. This translates into getting data to the fingertips of people who need it throughout an organization.

World Energy: You provide the software to enable your clients to make efficiency or data-quality gains themselves, but you will also do it for them. What types of professional services do you offer?

ENTERPRISE SOFTWARE SOLUTIONS

**FIELD/PRODUCTION
OPERATIONS**

**HYDROCARBON
ACCOUNTING**

**DATA
MANAGEMENT**

SERVICES

DRILLING

Farid: Service is an important value-add that we offer our customers. Our customers actually drove this area of our business, coming to us and asking for assistance. As the industry is becoming more cognizant of what automation can do for them, the business paradigm is shifting as well, and the question being asked by customers is, "Now that I have all these great tools, how do I take advantage of them so I can be more productive?" What we continue to see from our 16 years in the industry is that having a quality software solution is only part of the equation. With the addition of software technology, it's important to help the customer manage the business-process changes that come with doing something different.

With our first projects in the late 1980s, we learned early on the enormous value of providing high-quality services to our clients. These early lessons have stayed with us.

World Energy: What kinds of lessons?

Farid: One of our projects, for a large independent, involved onshore and offshore properties, both domestic and international. The intriguing part of this project was managing not only how Merrick's solutions would work but integrating with other commercial solutions being used by the customer, as well as home-grown systems. So we had a selection of disparate technologies that at the end of the day needed to work seamlessly in unison. To the customer's implementation, we brought technology expertise, industry know-how and project management leadership.

World Energy: What solutions do you currently offer in the technical data-management arm of Merrick?

Farid: Well, earlier I mentioned our RIO solution. To expand on that, RIO is a scalable, enterprise technical data store for exploitation, exploration and property management that's been commercial since 2002. The realized benefit to the customer is that it is designed to quickly provide information about a company's wells, reservoirs, formations and completions. RIO's strength is as a central repository for all of the technical departments and sources within an E&P organization. This includes production, reservoir engineering, geology and petrophysical.

Another benefit of RIO is that it has its genesis in the upstream marketplace with input from one of the major oil companies and a large independent. What's important to note is that RIO already has the look and feel of what a reservoir engineer, for example, would expect to find in an upstream solution. The ramp-up time becomes a non-issue.

World Energy: What future technical needs do you foresee for the energy industry?

Farid: There is much discussion today around "i-field" and "e-field." We are already seeing the concept of the digital oilfield being advanced today, and certainly over

the next few years I expect there will be significant leaps in automation strategies and tools. From our perspective, we at Merrick are already embracing the digital oilfield with the announcement at Offshore Technology Conference 2005 of our RigHand solution. We are now adding intelligence upstream of the wellhead to digitally manage assets of components that are going into the wellbore. It's being embraced by not only the oil and gas companies, but the drilling contractors and manufacturers. This is a huge market that has gone virtually untapped. This is exciting for the marketplace and just the cusp of where automation is headed.

World Energy: Where do you see Merrick in the future?

Farid: Merrick has always been a customer-driven company. What we want to deliver to our end-user is continued value. Our objective is to keep pace with the industry's needs and even expand the technology envelope where there is synergy with our current solutions. We accomplish this by being proactive, staying abreast of where the market is heading and incorporating what makes sense into our overall strategy. Our strength and success has been and continues to focus on upstream operations. We are a nimble organization and tend to be very entrepreneurial. Certainly, we are aware that in this fast-changing technology world, maintaining organic-only growth can stifle where we want and need to be as a company. So Merrick will grow its value by acquiring strategic technologies to enhance our customers' productivity.

And we'll continue to expand our professional services offerings by hiring industry personnel who will assist us in evaluating the needs of the marketplace and our deliverables portfolio.



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