

Strategic Consulting Group

Success Story - Executive Facilitation, Goal Generation & Data Review

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THE CHALLENGE

We were contacted by the exploration strategy group of an IOC. This group had been charged with ensuring progress towards a set of long-term resource addition targets. In particular, it was their responsibility to provide regular updates to management on the exploration group's progress towards these goals and identify within the portfolio strengths to exploit and weaknesses to remedy, with an ultimate goal of ensuring steady, consistent progress. Staff turnover on the team had created a leadership void, leaving them adrift and rapidly losing the engagement of the executive committee. Without meaningful communication between the strategy group and the executive team, the gulf between management's expectations and the group's ability to meet them was growing and the portfolio itself was under-performing due to a lack of strategic direction.

THE SOLUTION

Our consultants began by meeting with the executive team to understand their vision for the exploration group. The executives saw this new exploration group as the primary growth engine for the IOC as a whole for many years to come. The resource goals had been set with that larger strategy in mind. Though they suspected the exploration portfolio was likely not on track to meet their long-term targets, they had no clear picture of how far off course they might be. They also felt that without actionable insights from the strategy group they lacked the information necessary to affect change within the organization.

Working with the strategy group we conducted a preliminary analysis showing that there was a less than 10% chance of meeting the specified resource goals at current drilling levels. Further, we were able to demonstrate that material improvements in the chances of meeting their goals were not possible without dramatically increasing their number of prospects and raising activity levels over six-fold.

Providing a tangible analysis of their current progress towards stated goals successfully reopened the lines of communication between the executives and their strategy team. Subsequent work consisted of an asset-by-asset review of project economics. Comparing internal projects to analogous project descriptions found in industry data, we saw that probabilities of success were being consistently overstated in the company's data. The average internal project was outperforming all-time record discoveries in the region. We worked with both the strategy group and project engineers to revise the economics, using historical performance of the region, operator, and subsurface characteristics as benchmarks.

THE RESULT

Our consulting engagement generated a revised resource goal that, while lower than the original goal, was far more realistic: the company had an 80% chance of meeting or exceeding those resource levels. More importantly, it was a number of resource additions that still had a material impact on the overall corporation – meeting the executives’ vision for the exploration group – and it was achievable at then-present capital spending levels.

As part of this revised goal, we identified several critical learnings that provided concrete support for why the revision in strategy would succeed. These included:

- Their position as a highly capitalized but inexperienced player in the region could be an advantage if they significantly increased their exposure to partnerships and joint ventures. We determined that an approximate mix of 50% JV/partnerships and 50% organic op projects was optimal for meeting goals.
- Reducing the amount of time between winning a lease sale and drilling the prospect to under one year was critical to achieving their goals. This meant significant investment in lease sale blocks prior to bidding was needed, which was a complete about-face from the company’s prior “shotgun”-style approach to the auctions.

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