

SPE-179969-MS

Solutions to 5 Strategic Issues Plaguing Executives in 2015-2016: Solving the Right Problems With Portfolio Management

John I Howell, III and Lillian Warren, 3esi-Enersight

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This paper was prepared for presentation at the SPE/IAEE Hydrocarbon Economics and Evaluation Symposium held in Houston, Texas, USA, 17–18 May 2016.

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Abstract

Since 2014 the energy industry has redefine the term rapidly changing business environment. Commodity prices have plunged, financing options shifted from abundant to scarce and corporations focus has moved from growth to survival. As these changes have evolved, the flaws in our traditional planning processes and tools have become evident. Executives have experienced unprecedented needs to update strategies and business plans on a weekly basis while most of our planning groups are designed to update on an annual basis. This paper will discuss three examples where companies have used portfolio management models to rapidly explore strategic scenarios in an effort to answer strategic issues. The examples illustrate how portfolio functions including optimization, uncertainty analysis and integrated financials have allowed some companies to efficiently plan in these volatile times. The examples illustrate solving strategic issues such as rapidly exploring strategic investment scenarios, assessing investment options at multiple commodity price points, balancing financial and operational metrics, balancing near and long term performance and rapidly developing capital allocation strategies.

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3esi-Enersight
info@3esi-Enersight.com