

Going International: Tools and Techniques for Assessing New Country Entry

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ABSTRACT

As North American basins mature and access to prospective areas is limited, independents are faced with rising finding and production costs and smaller targets. Where the majors once were dropping acreage, the larger independents are now the sellers. Some smaller independents focus on managing marginal properties, but many who want to accelerate the growth of their companies are pursuing international E&P opportunities.

But what are the strategic drivers for going International? Overseas, significant acreage positions are available and there is less competition. Overseas opportunities also have potential for large reserves and high returns that can be “company makers”.

Internationally, independents face new challenges. Business and political risks and access to markets can be daunting. Therefore, independents must identify international opportunities that fit their core competencies and risk profiles. Therefore, the decision to go international may hinge on the ability to acquire producing properties, to invest in farm-in opportunities, or target promising exploration plays that fit a company’s geological or technical expertise. The opportunity pursued ultimately will depend on the Independent’s available financial resources and risk tolerance.

Unlike the majors, Independents lack the resources to evaluate all available opportunities. To successfully compete internationally, they need a source of information and knowledge to identify and assess appropriate international investment opportunities. Independents can save time and money by screening opportunities and deals before flying off to data rooms. Easily accessible economic, fiscal and political data can be used to quickly assess political, fiscal and business risks. Basin and field data can help to define the geology, hydrocarbon occurrence, exploration success and even marginal field opportunities. Software tools also allow one to compare economics for target countries by applying each country’s fiscal regimes to the same size prospect in similar geological and geographical settings. Such consistent analyses can boost independent and investor confidence that they have done their homework before investing.

This presentation will describe an international roadmap and will illustrate these risk/reward analysis techniques with case histories.