2005 AAPG/CSPG Convention
DPA Forum: 
*The Independents – Case Histories in Success*

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Suncor Energy Inc.
What is PGS?

- Prospect Generation Services
- Inception January 2001
- Entrepreneurial group within Suncor
- Exclusively generates and markets exploration prospects to industry:
  - purchase land & seismic
  - generate drillable prospects (Bcf to Tcf)
  - sell to majors, juniors
  - self-funding
  - share in upside through GORR
What Does PGS Do?

- G, G & E
- Purchase Land
- Market Prospect
- Drill & Produce
- Capital & GORR
- Industry

PGS
How it Began

- Capital constraints within Suncor (1999-2002)
  - exploration drilling dramatically reduced
- Potential for significant staff loss and land expiries
- Conceptualized PGS model in this work environment:
  - address short-term issues & long-term potential
- Created unique exploration model

Crisis = Opportunity
Structure

- Initially 12 people, now 17
- Multidisciplined Team:
  - 4 geologists, 3 geophysicists, 1 engineer, 2 technologists, 2 landmen, 1 petrophysicist, 1 petrologist, 1 finance, 1 EA, 1 VP
- Personnel:
  - Senior, experienced explorationists
  - Passion to explore
  - Positive, proactive, creative
- Location:
  - Separate from Suncor offices
Finance

- Suncor Initial Investment:
  - undeveloped lands (scattered, generally short-term lands)

- Self Funding Model:
  - PGS funds all expenditures
  - Suncor provides what is effectively bridge financing

- Typical Deal Terms:
  - recover invested capital, well commitment, GORR
  - do not participate in wells

- Compensation:
  - modified Suncor compensation (give up to gain approach)
  - increased pay for performance
Suncor Links

- **Data:**
  - access to Suncor seismic data

- **Support:**
  - IT, Legal, Land Admin., Finance, Surface Land
  - pay lump sum for service

- **PGS-Natural Gas E&P Team Link:**
  - PGS explores areas beyond Natural Gas E&P team boundaries

- **Marketing Prospects:**
  - target companies selectively
  - Suncor Natural Gas E&P potential industry partner
Overcoming Challenges

• Transition from concept to efficient operation:
  - progressed rapidly in 2001/optimization on-going

• Near-term profitability:
  - focus on existing lands & prospects with broad appeal

• Long-term materiality:
  - began work on Tcf size plays early in model

• Overcome misperceptions:
  - have disproved through performance

• Establish a brand:
  - let prospects sell the model

• Maintain good relationship with Suncor Natural Gas:
  - continuous process where communication is critical
Performance

- Sold all prospects generated
- Industry invested over $180 MM in PGS opportunities
- Purchased 7 1/2 townships of crown land
- Current Activity:
  - 10 wells waiting on spud
  - 13 wells waiting on completion
  - 11 wells waiting on tie-in
  - 9 prospects currently marketing
- Process on-going
Drilling Activity: PGS prospects

- 70 exploratory wells
- 100 total well count
Why Has the Model Worked?

- **Motivated to Improvise:**
  - *unique circumstances within Suncor created need*

- **Commitment of Key Personnel:**
  - *CEO supported creative concept*
  - *EVP Natural Gas championed the model*
  - *VP, E&P key component to success*

- **Outstanding Team:**
  - *commitment, hard work and skill level of team*

- **Creative Work Environment:**
  - *exploration mindset*
Why Has the Model Worked? (continued)

- **Demand:**
  - *PGS model fills need in the industry*

- **Early Success:**
  - *captured intrigue and enthusiasm*

- **Effective Internal Communications:**
  - *dynamic of medium-sized company (Suncor Natural Gas BU)*

- **Unique Focus of Parent Company:**
  - *PGS provided a capital light opportunity to increase gas supply for oil sands*

**All factors essential**
Future Direction

- Profitability & Growth:
  - create sufficient net cash flow to pursue growth opportunities aggressively

- Materiality:
  - increase proportion of plays with significant materiality

- Internal Relationships:
  - continually work to sustain an effective relationship with Natural Gas E&P teams