Richard Nehring1 (1) NRG Associates, Colorado Springs, CO

When Everybody Follows, Where Do They Go? Why We Need to Rethink Current North American Exploration and Exploitation Strategy

Successful petroleum exploration and exploitation depends upon a continuous flow of new ideas, whether these be new concepts or new technologies. Yet new ideas are risky; many fail to deliver what they promise.

In an attempt to negotiate between the necessity and the risks of new ideas, most North American companies have adopted the strategy of being a “follower” (ideally a fast one). The promise of being a fast follower is that it theoretically enables companies to avoid the costs associated with play risk and technology risk while still reaping the benefits of successful new ideas.

Being a “follower” is not however a problem-free strategy. “Leaders” can capture most of the benefits of new ideas for themselves, thereby denying these benefits to “followers”. Being a successful “follower” requires an effective “intelligence” organization; developing and sustaining such a group is not easy to do. “Followers” seem especially prone to be misled by the “hype” that usually surrounds successful new ideas.

The biggest shortcoming of the “follower” strategy is that it by definition cannot be an effective strategy for every company. It presupposes that many companies will still be leaders, creating opportunities for the followers to exploit. But if most companies became followers, few new opportunities will be created and there will be nothing to follow. Such consequences can be seen in declining new field and new pool discoveries and the inability of U.S. gas production to increase.

As an alternative, this paper suggests a strategy of “efficient leadership”.