

“Implementing an Integrated Risk Analysis Process into Decision Making”

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Pioneer's biggest driver for rationalizing their portfolio management process was a need to have consistency across the company as it grew through the merger and acquisition of five different companies (August 1997). This case story will track Pioneer's evolution from a back of the envelope budget, to a budget-driven strategy and the current strategy-driven budget. Consistency was achieved at each stage of portfolio management process development.

The first step was to engage the trust and interest of senior management, and then to implement a solid line of communication between all functions and levels involved in the process. Significant improvements were also recognized in the Company's ability to meet corporate strategic expectations utilizing “lookbacks”.

In this presentation, we will explore how lookbacks can be used as an effective tool for improving project/play selection to avoid winning the battle but lose the war e.g. a good project, but a miserable play. At Pioneer this is accomplished not by looking just at project economics, but by testing, as the project proceeds, the measurable technical assumptions that impact the economics; i.e. a reality check to see if we are meeting our expectations for EUR, IP, Decline, Capital and Timing. Then we calculate how any differences will impact the economics over the life of the project. This information can be used to test plans, modify plans, and improve decisions regardless of where we are in the cycle.

Other areas to be discussed include:

- The importance of getting CEO-support from day one.
- The importance of being able to demonstrate the success of your system.
- Staging a three-year plan at a project-level and implementing peer reviews and look-backs.
- How has a combination of top-down direction and bottom-up communication affected the implementation process?
- What pitfalls have Pioneer recognized whilst implementing their new portfolio management system?
- You can't get a square peg to fit into a round hole! How can you merge this process into your own company?
- What steps should now be taken?