

Keep the Bath Water, Too: Value Beyond the Strategy Product



Sabrina Watkins

Paul McNutt

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“Baby”

EMV

“Bath Water”

Relationships

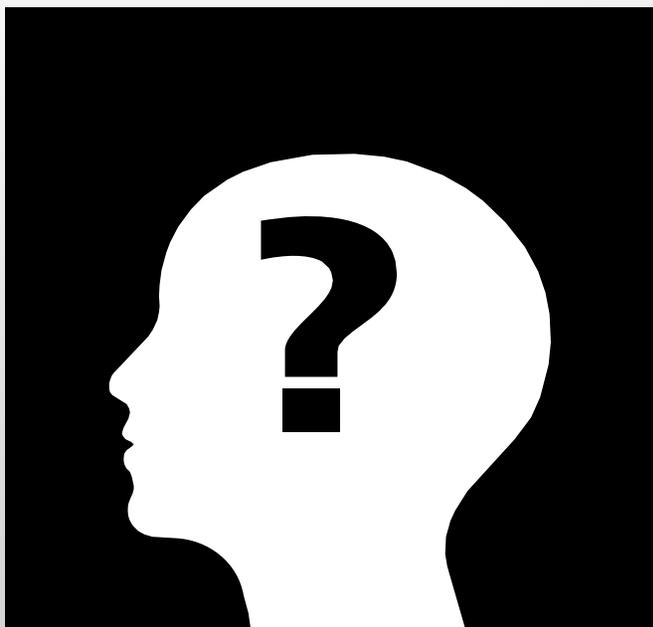
Business Integration

Visualization

Ownership



The Frame: Guiding Principles

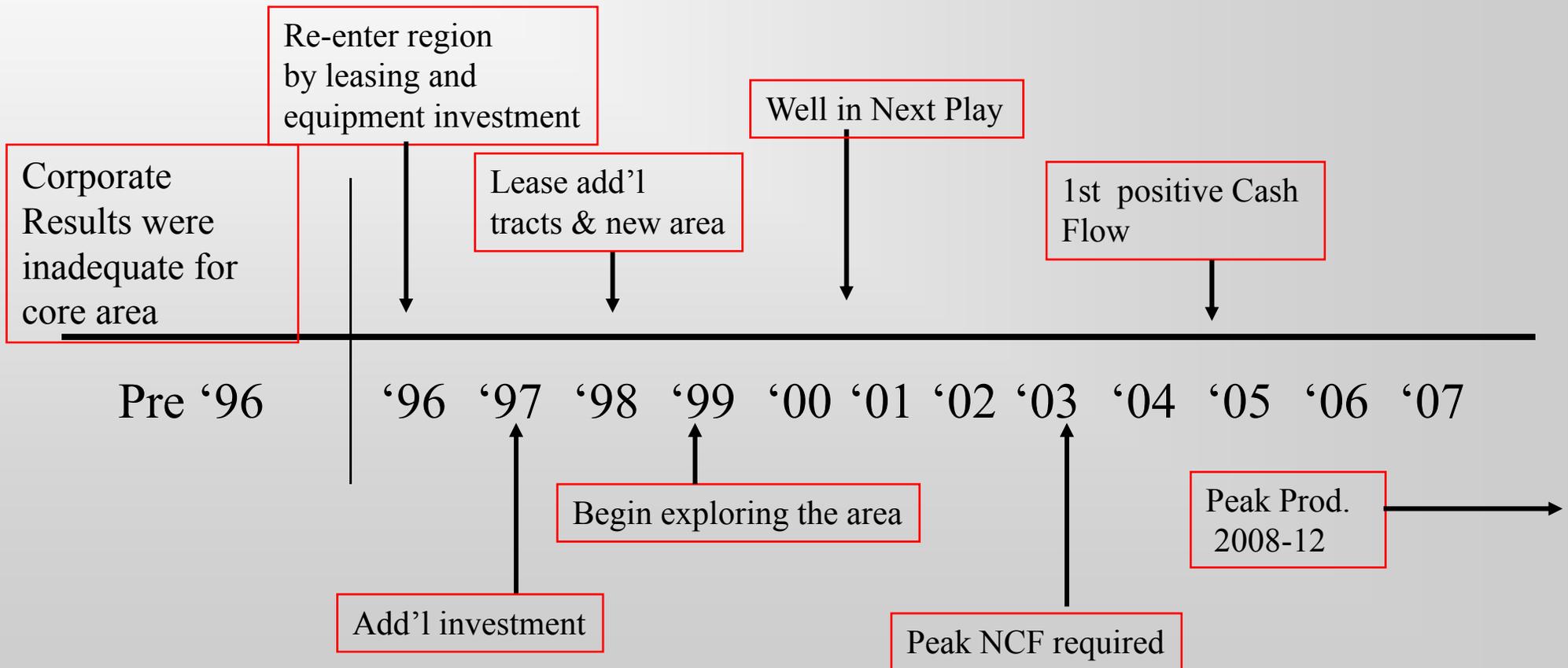


- **Can the Focus Areas create a Core Business (Legacy Asset)?**
 - Robust earnings
 - Multiple Investment opportunities
 - > 10 year Life Cycle
- **What Business Segment choices should Conoco make?**
 - Which segments?
 - What level of participation?
 - Alliances & Partners?



Exploration & Development Timeline

Lease.....Drill.....Develop.....Produce-->





Typical DA Process & Integrated

Tms

Decision Board ♦ 10 functions/departments, 2 locations

Frame The
Problem
(1)

Quantify Risk,
Uncertainties
(2)

Perform
Sensitivity
Analysis
(3)

Generate
Range of
Outcomes
(4)

Apply
Decision
Criteria
(5)

Project Team ♦ common & new members

Area 1

Strategy Team
Geoscience
Infrastructure/FEL
Commercial
Decision Analysis

common members

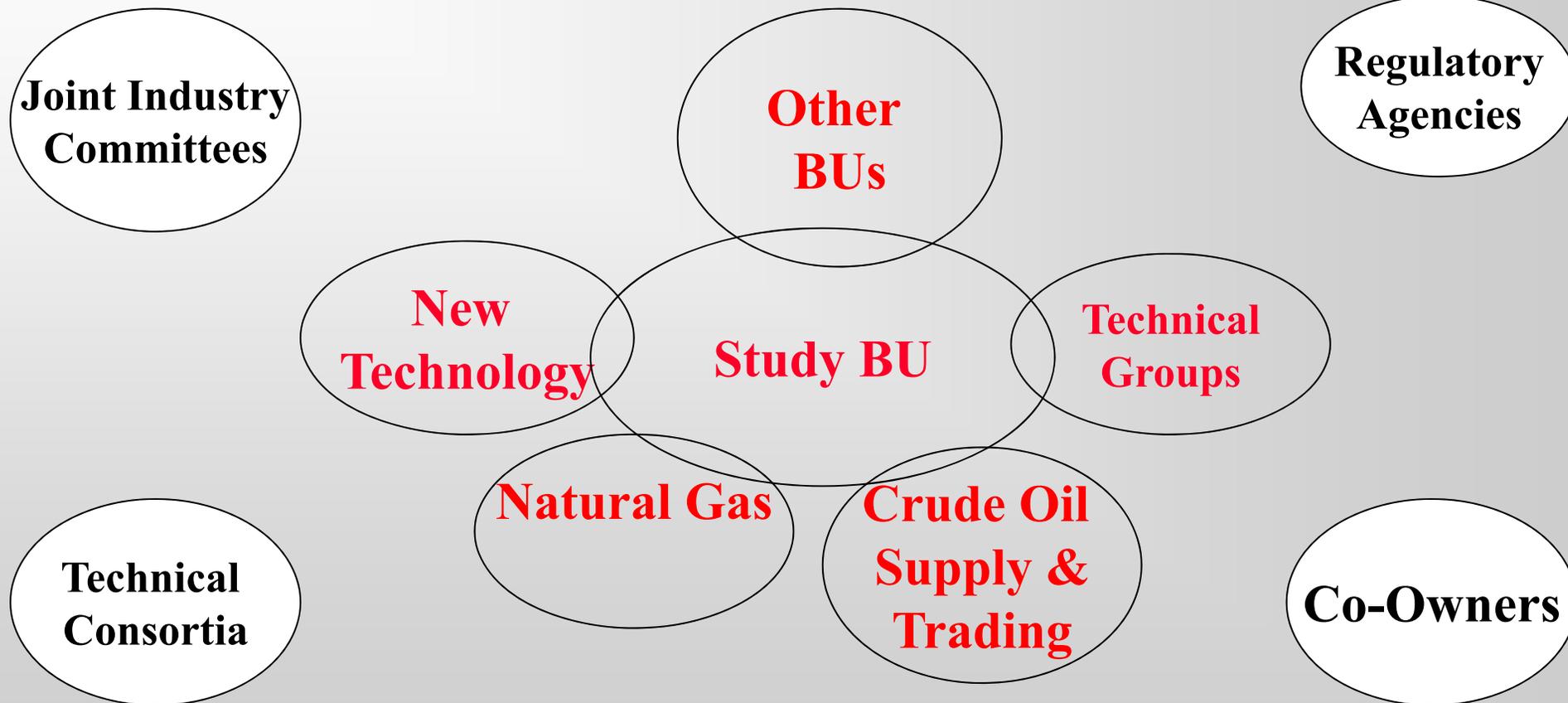
Team Lead
Business Development
New Technology
Project Management
Crude Oil Trading & Trans.
Gas Products

Area 2

Strategy Team
Geoscience
Infrastructure/FEL
Commercial
Decision Analysis



Strategic Integration





Decision Hierarchy

Decision Criteria

EMV & Cumulative
Cash
Investment Amount &
Timing
Robustness
Flexibility
Cycle Time/First Oil Timing
Feasibility/ Risk
Profitability Index (PI)
Core Values

Policy

Strategy focus- very specific geography

“No Turf”- all departments work together for overall company benefit.

Funding Sideboards

Exploration/Appraisal Strategy: Take as “Given”

Technology: Involve technology groups- include new ideas in the strategy

Team Resources: The Decision Board is willing to commit resources in the following function: Geoscience (1 FTE), Infrastructure (1), Oil & Gas (1), Technology (0.5), Facilitator (0.5), Team Lead (0.5), CD/BD (1).

Guiding Principle:
Sustainable “Core Area”

- >10yr. life cycle
- Multiple investment opportunities over time
- Cash generator

Focus of Analysis

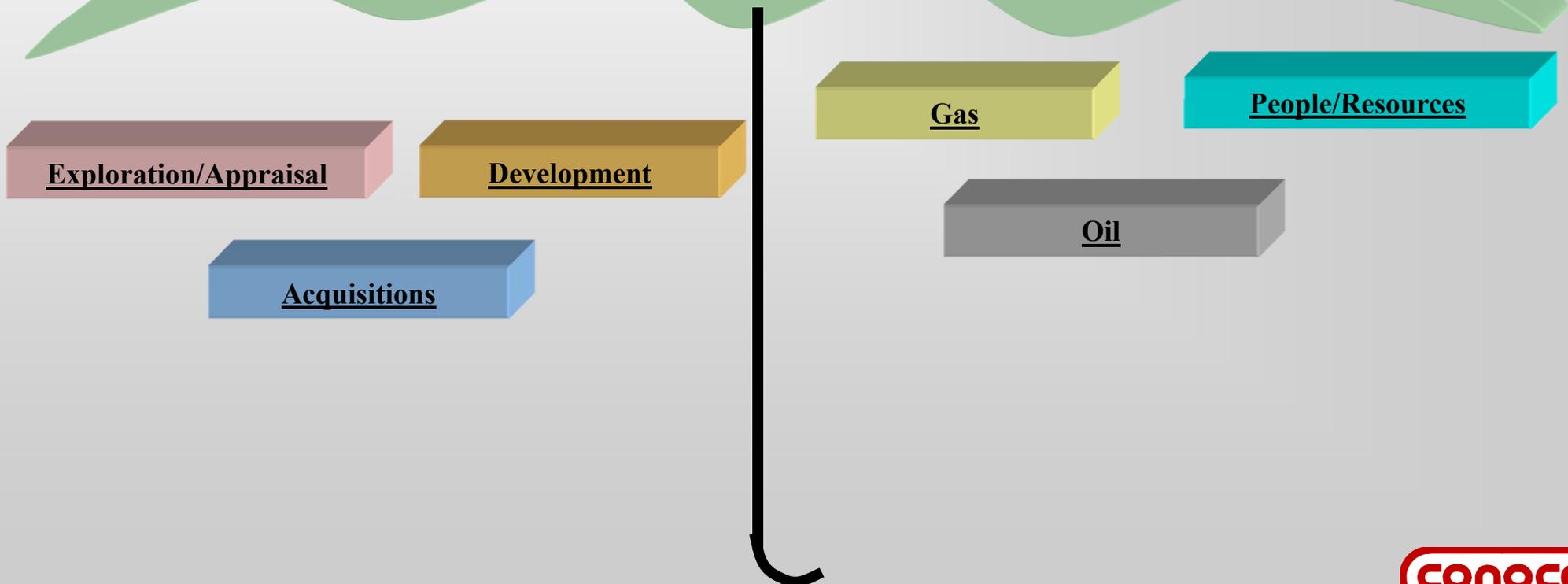
What is our desired risk profile?
What is our E&P infrastructure strategy?
What technology is needed?
What are our partnering opportunities?
What is our plan for gas?
What are the other opportunities that Conoco wants to participate in?
What is our plan for oil?
When will we exit this area?



Strategy Table

PURSUE THE “STOCK MARKET” STRATEGY

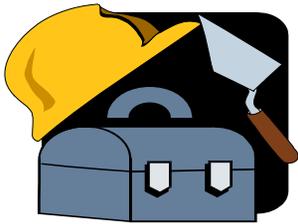
This strategy name described an aggressive (Bullish) approach in some parts of the area combined with a conservative (Bearish) approach in other parts of the area. This view of a “strategy table” was used to show how decisions in each of the critical 6 functions were encompassed in the overall “Stock Market” strategy.





Development Strategy Themes

Fit - for - Purpose



Description:

Objective/Rationale:

Critical Success Factors

<i>STRENGTHS</i>	<i>WEAKNESSES</i>
<i>OPPORTUNITIES</i>	<i>THREATS</i>

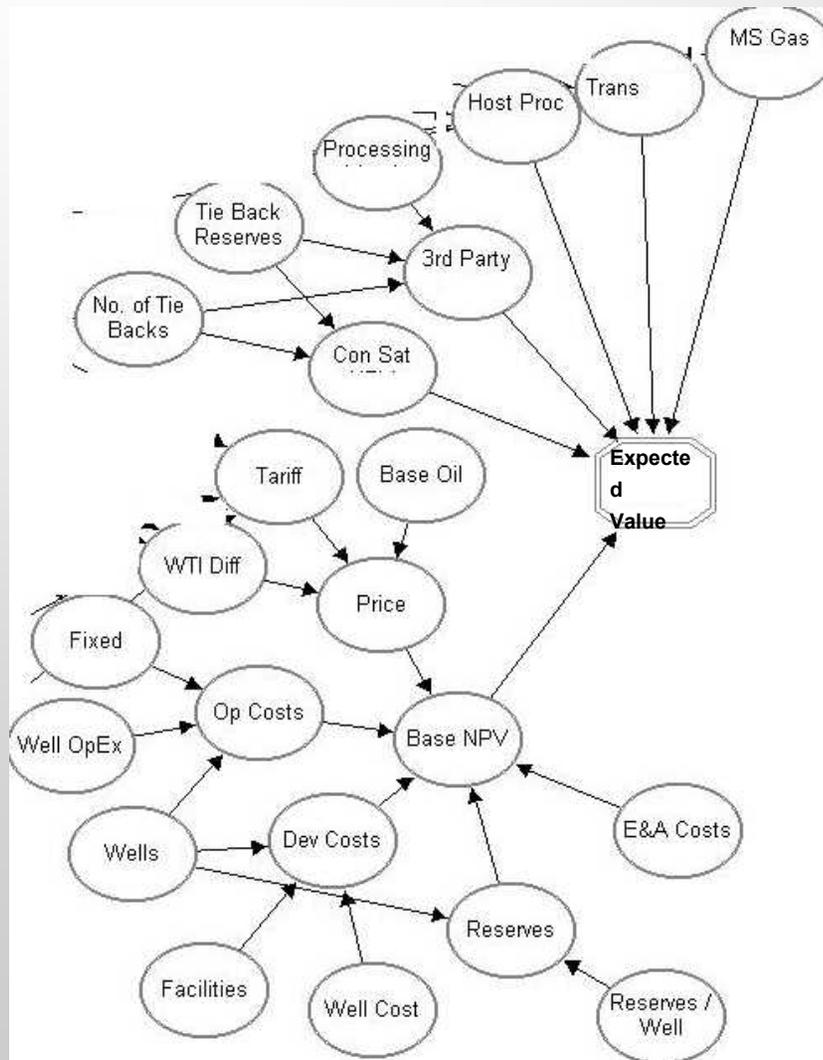
- ◆ Each theme was described using a poster to build collective memory and provide a visual understanding to the “baskets” of decisions.

The image shows three posters arranged in a cluster. Each poster has a title, a central illustration, and a SWOT table below it.

- DOVE:** Title 'DOVE', illustration of a white dove with an olive branch. The SWOT table has four empty quadrants labeled STRENGTHS, WEAKNESSES, OPPORTUNITIES, and THREATS.
- LION:** Title 'LION', illustration of a brown lion. The SWOT table has four empty quadrants labeled STRENGTHS, WEAKNESSES, OPPORTUNITIES, and THREATS.
- STOCK MARKET:** Title 'STOCK MARKET', illustration of three business people shaking hands. The SWOT table has four empty quadrants labeled STRENGTHS, WEAKNESSES, OPPORTUNITIES, and THREATS.



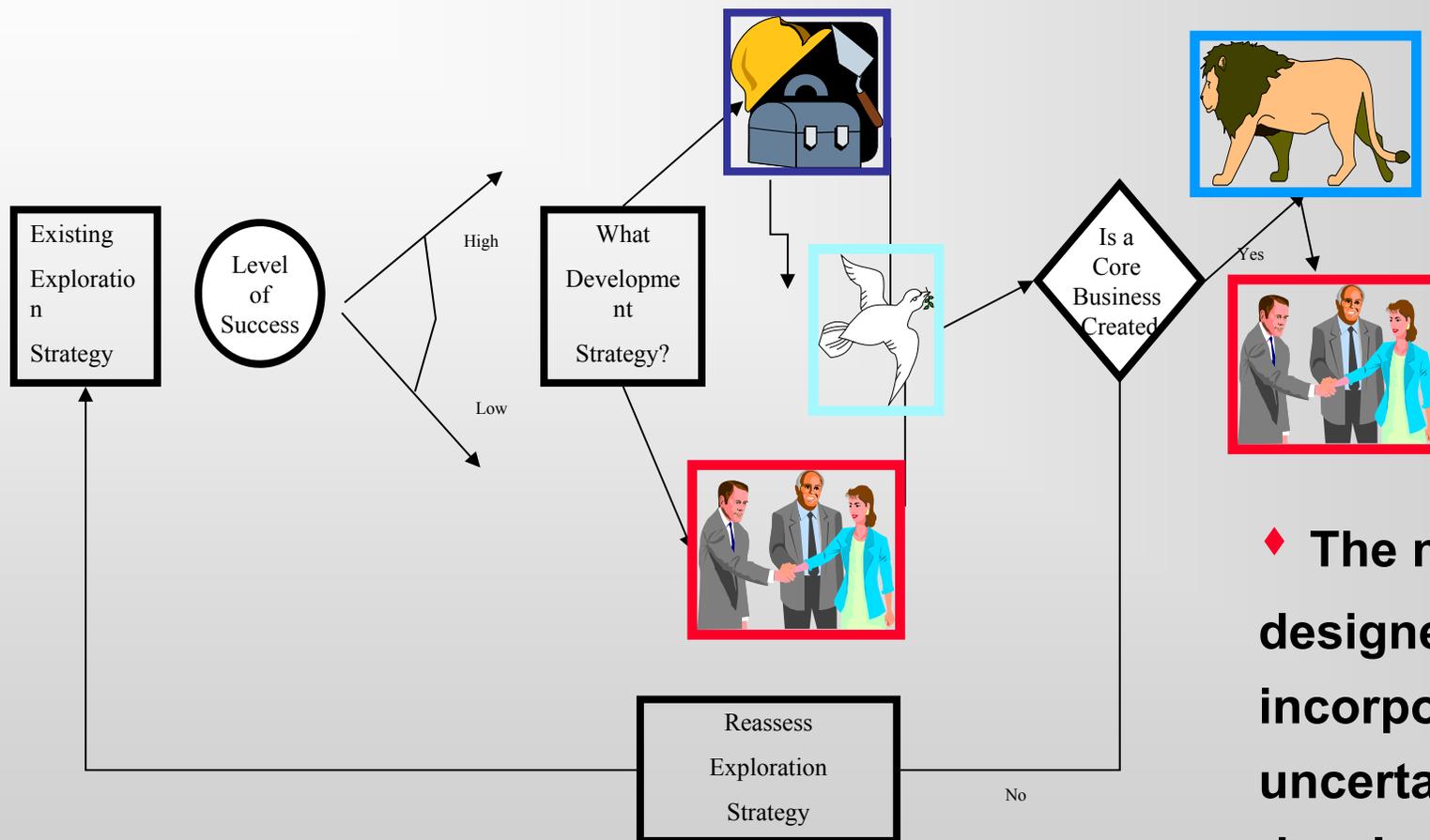
Influence Diagram



- ◆ The influence diagram helped the team think through ranges of uncertainty, options, and how decisions change in different strategies.
- ◆ The influence diagram was also used to build the development model.



Economic Model Design

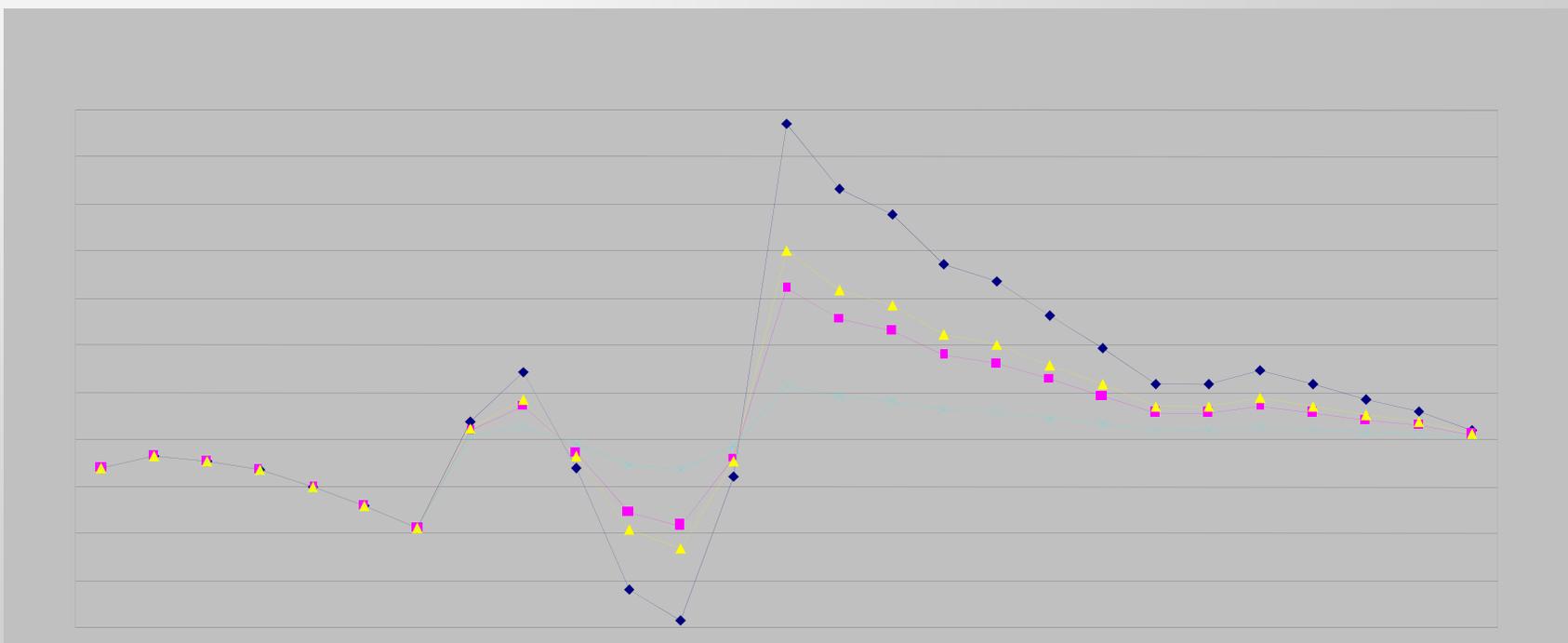


◆ The model was designed in two parts to incorporate exploration uncertainty into the four development themes.



Economic Model Output

- ◆ Model runs showed that cash and earnings targets were achieved and cash flow fluctuations were manageable.





Successful EMV “Capture” relies on the by-products



Relationships

- Relationships between Business Segments were developed and staff & management networks strengthened.

Business Integration

- Knowledge of the value of integrated business segments leads to nimble capture of projects.

Visualization

- Clear, Shared Vision of sources of value and future scenarios.

Ownership

- Ownership of implementation provides clear accountability, and there is cross department support of business plans.



“Baby”

EMV

“Bath Water”

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Abstract

Clear value added (EMV) is the most important outcome of strategy studies, just like the “clean baby” is the most important outcome of the “bath”. It is always important to avoid “throwing the baby out with the bath water”, but it’s also worth looking for value in the “bath water” itself. Strategy study by-products can be as valuable as the primary outcome.

Two recent strategy studies in a Conoco exploration & production business unit created several hundred million dollars in additional EMV, and long term value for the corporation in several significant areas. The process was designed with qualitative results in mind: goal alignment and thorough shared learning about the business. Communication channels and relationships were built across five departments, positioning the company for nimble decision-making post discovery. The processes which facilitated these learnings included: decision analysis tools, scenario planning, use of monte carlo analysis for visualization, and strategy “theme posters” - all of which increased communication, depth of understanding, and creativity. Management implementation assignments and quarterly follow-up assure that both the quantitative and qualitative value outcomes are realized.



Profile: Sabrina Watkins, Principal Consultant, Conoco Inc.

- As Principal Consultant, Sabrina leads decision quality implementation for Conoco's Gulf Region, develops course materials, teaches workshops and consults on D&RA applications. Specialty areas include strategic framing, facilitative leadership and operations decisionmaking, mentoring/leadership coaching and complex implementation.
- She began her career with Conoco in 1981 as an engineer working with leading edge drilling and production technology until 1988. She supervised, then managed groups with increasing responsibility in Houston, Lafayette, and Corpus Christi, TX. Most recently, she was an Asset Manager with profit and loss responsibility for a \$500 million dollar EMV multifunctional, multi-asset operating unit covering both onshore and offshore/deepwater areas.
- Sabrina teaches Conoco's three day D&RA workshop, Stephen Covey's Principle Centered Leadership, and has taught various engineering and operations courses.
- Sabrina graduated from Lehigh University in Bethlehem, PA with a Bachelor of Science degree in Civil Engineering and a minor in Spanish. She has completed the "Advanced Executive Program" at the Kellogg School of Management, Northwestern University, Chicago. She is a member of the Chamber of Commerce and volunteers doing strategic consulting work for United Way agencies. She and her family enjoy bicycling and live in Lafayette, LA.



Profile: Paul McNutt, Business Development Supervisor, Conoco Inc.

- As Business Development Supervisor for Conoco's GoM Business Unit, Paul directs the economics, strategy & portfolio management, accounting, and financial reporting activities associated with Conoco's producing assets, Pathfinder Drillship asset, and exploration investments.
- Paul began his career with Conoco in 1985 as a reservoir engineer in New Orleans, LA-USA. Subsequent career moves to Midland, TX and Lafayette, LA led him to secondary and tertiary recovery as well as gas transportation projects. After leading an exploration group in West Texas, Paul shifted gears and has focussed on business development opportunities since then.
- Paul currently teaches portions of Conoco's D&RA school and plays an active role in both domestic and international strategy studies for Conoco.
- Paul graduated from Penn State University with a Bachelor of Science degree in Petroleum Engineering. He is actively involved in the community serving on the Board of Directors for the Heritage Credit Union and as a volunteer for the Crisis Pregnancy Center and Regional Aids Interfaith Network.



Profile: Laine Summers, Chief Reservoir Engineer, Conoco Inc.

- As Chief Reservoir Engineer for Conoco's GoM Business Unit, Laine directs the reservoir engineering team supporting prospect generation and well operations for the deepwater exploration drilling program. In addition, Laine is responsible for technical excellence and technology transfer for the reservoir engineering function within the BU.
- Laine began his career with Conoco in 1985 as a research engineer in Conoco's Production Research laboratory in Ponca City, OK. With subsequent career moves to Houston, TX and Dubai, UAE, job responsibilities shifted to reservoir simulation projects that identified infill drilling locations. After transferring to Lafayette and working as a staff engineer supporting deepwater exploration, Laine moved into his current organizational role.
- Laine has taught value of information for Conoco's D&RA schools and is a D&RA resource within the BU.
- Laine graduated from the University of Nebraska with a BS in Chemical Engineering and received an MS in Chemical Engineering from the University of Minnesota. He is active in the community volunteering for the VITA and Big Brothers organizations. On May 7th, Laine completed his first marathon in Lincoln, Nebraska.