

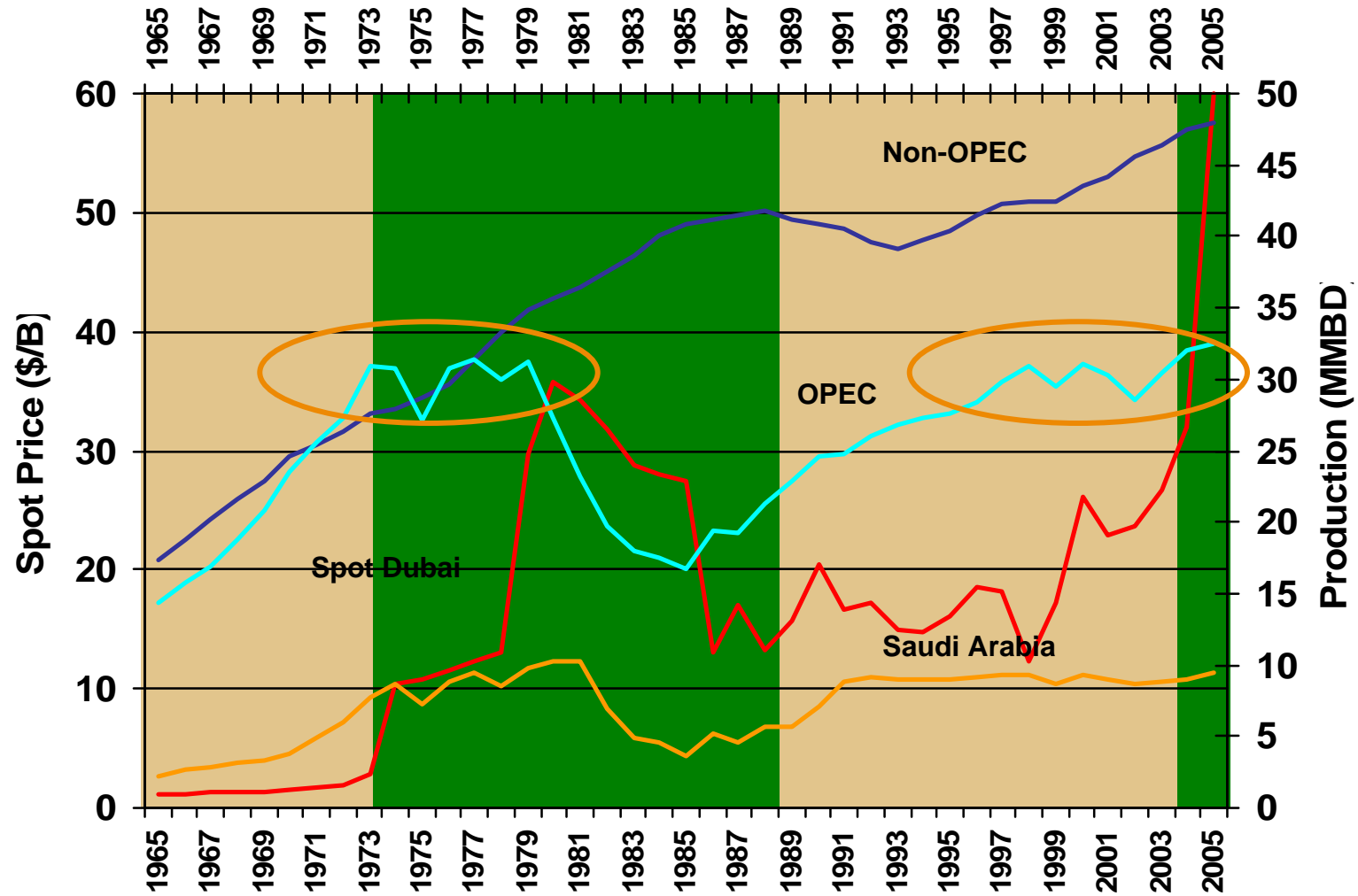
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# The Postmodern Oil Company

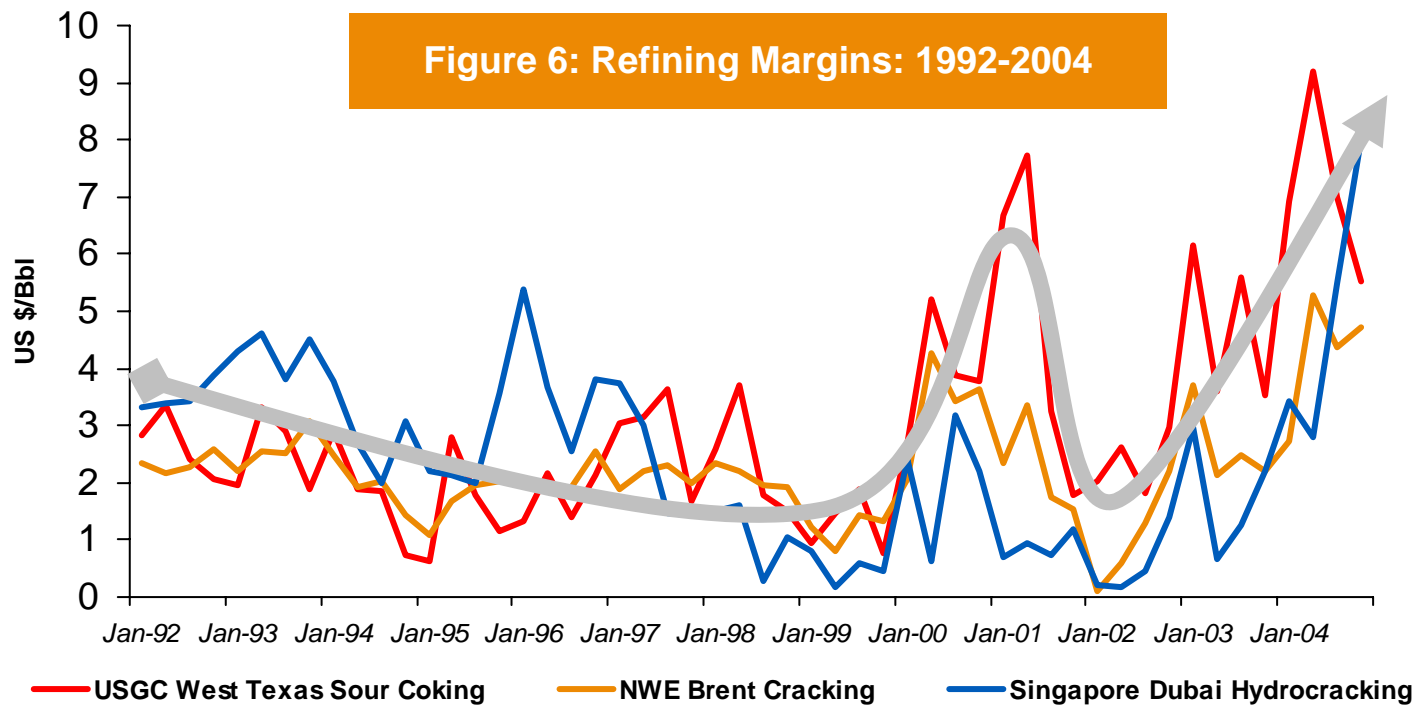


**Presentation to IAEE  
Houston - Oct 13, 2005**

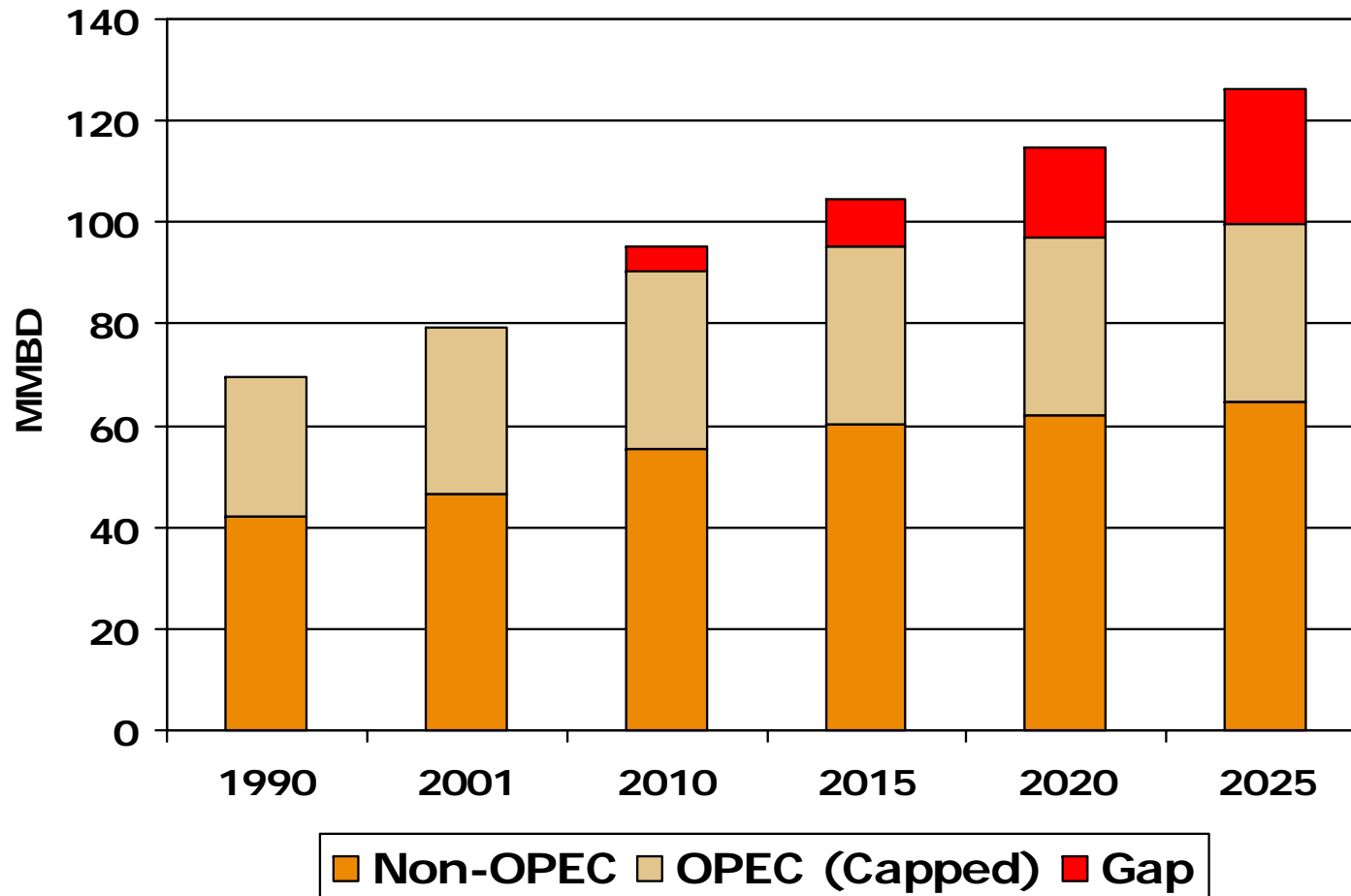
# Here We Go Again?



# Refining is profitable for the first time in 20 years!

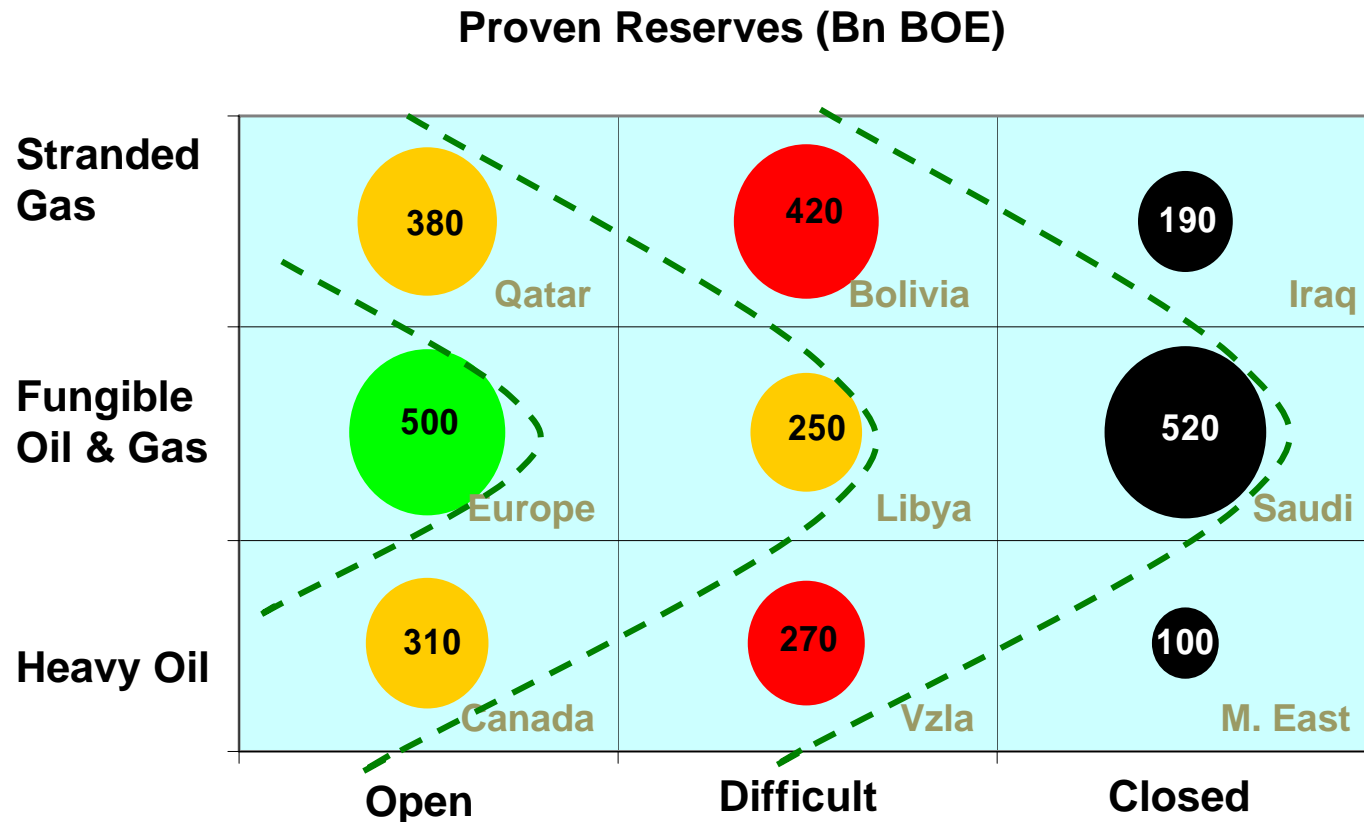


# The world needs growing oil supplies, but will OPEC deliver?



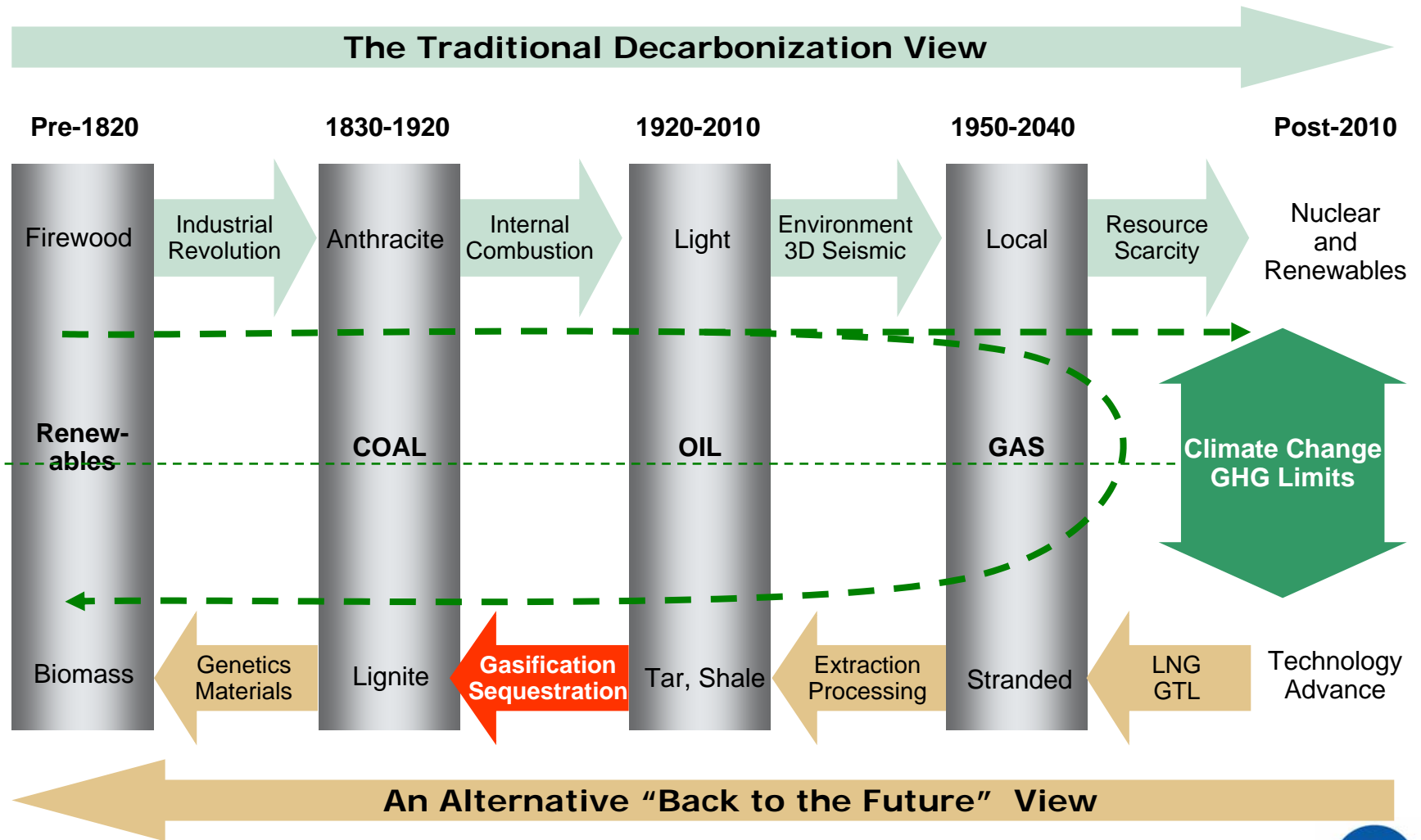
Source: EIA, International Energy Outlook 2004

# IOCs are finding that remaining resources are increasingly unconventional or inaccessible

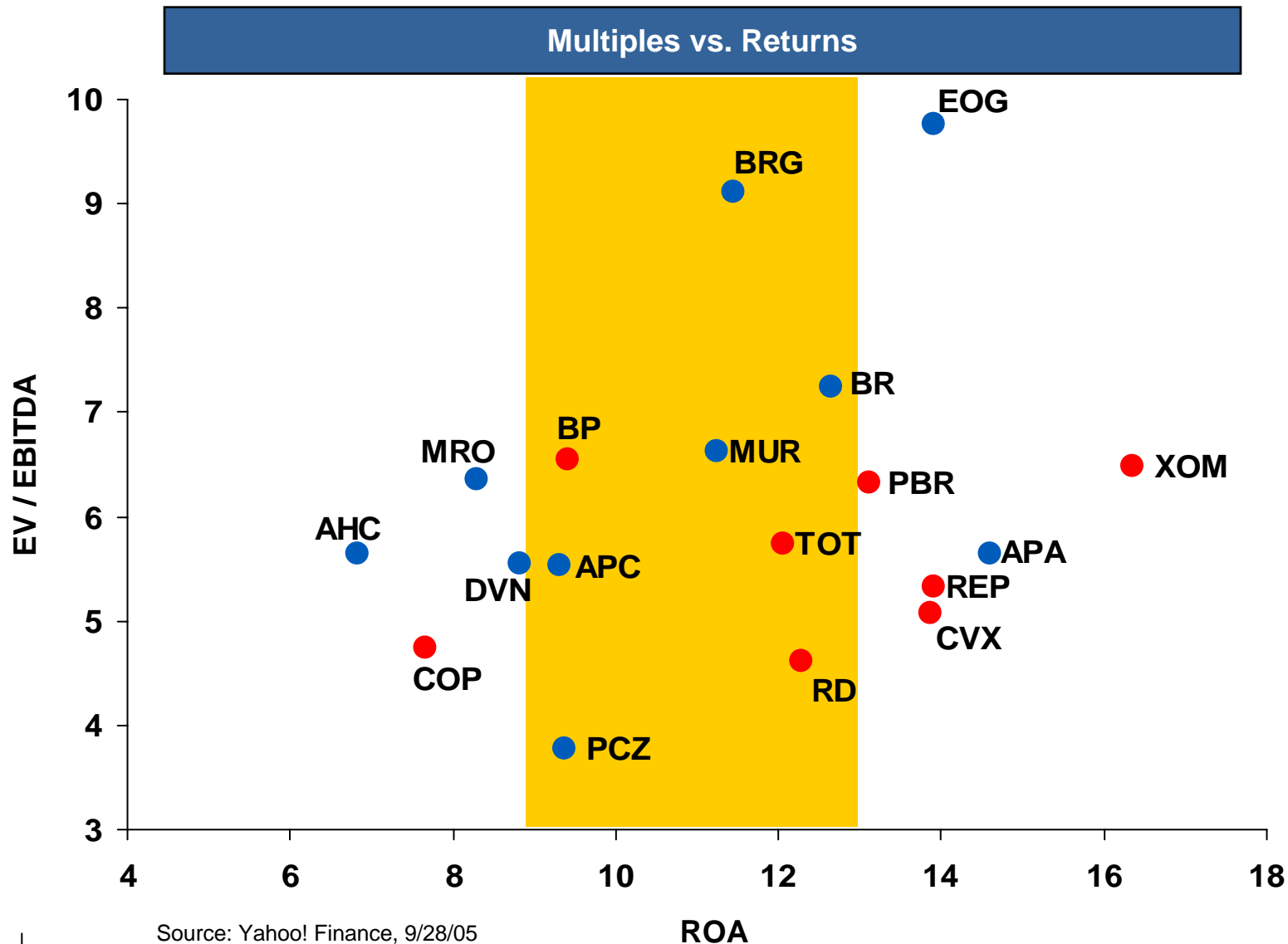


Labeled countries are examples of group

# The eventual correction will be driven by end use efficiencies and a recycle through the resource pool



# Relative returns don't explain enterprise value; growth prospects are becoming important



# Companies must “post-modernise” for disciplined growth

## Refocus on Growth Metrics

✘ Emphasise ROCE and Reserve Bookings

✓ Balance Efficiency Improvement with Expected Value of Future Cash Flow Rights

## Structure a Diversified Growth Portfolio

✘ Focus on Upstream Oil in Established Basins

✓ “Fill the Funnel” with Diverse Opportunities; Understand Optionality; Explain Portfolio Value and Risks

## Manage Project Risk Down/ Value Up

✘ Negotiate a tough contract with supplier

✓ Enhance Local Stakeholder Benefits; Take a Systemic View

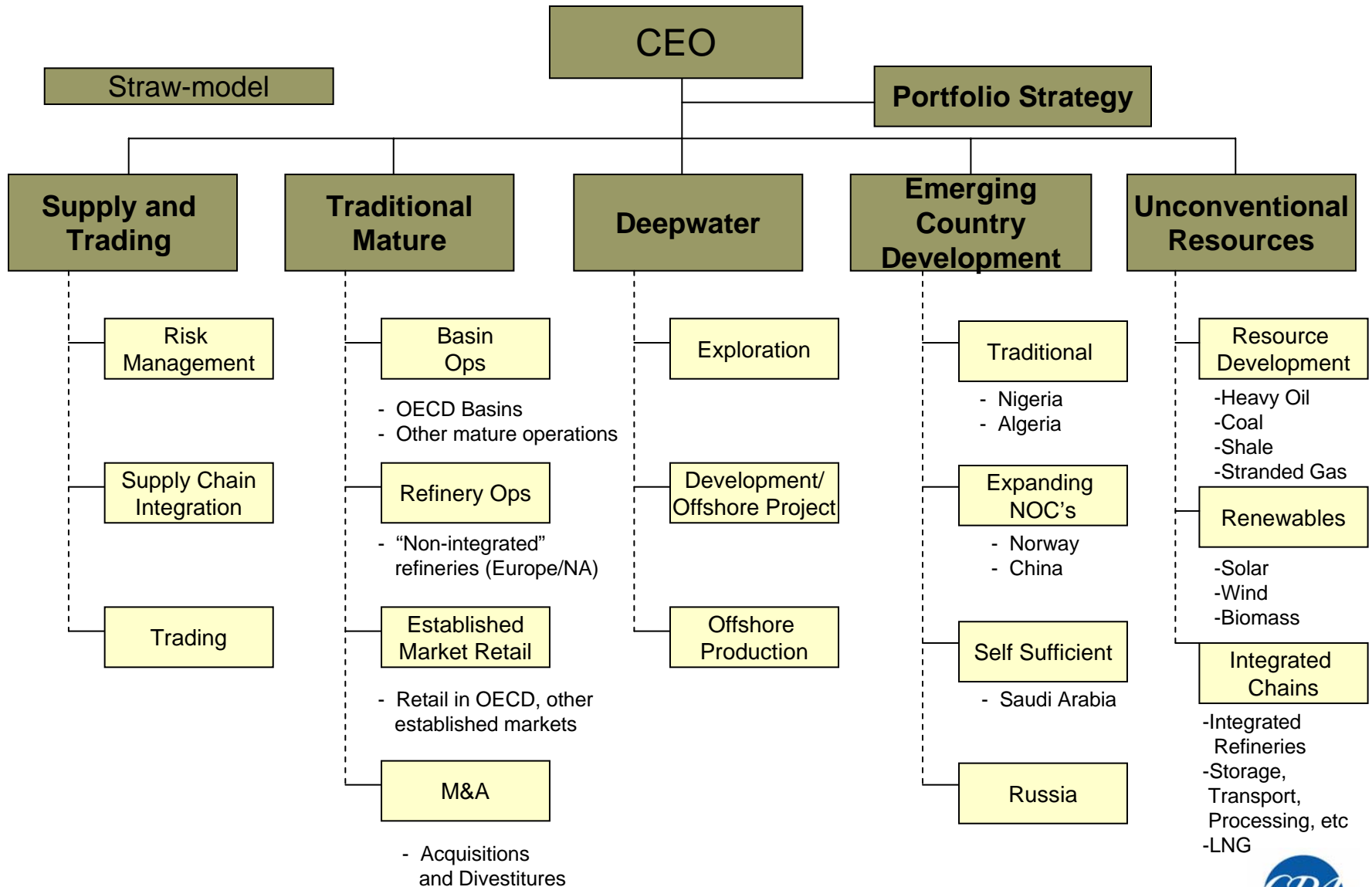
## Rebuild the Capacity for Growth

✘ Capture Synergies through Functional Business Units and Technology Withdrawal

✓ Rebuild Growth Capacity with Integrated Gas/ Heavy Oil Supply Chains and Revitalised Technology Networks



# A "Clean Sheet" Postmodern Organization proposal



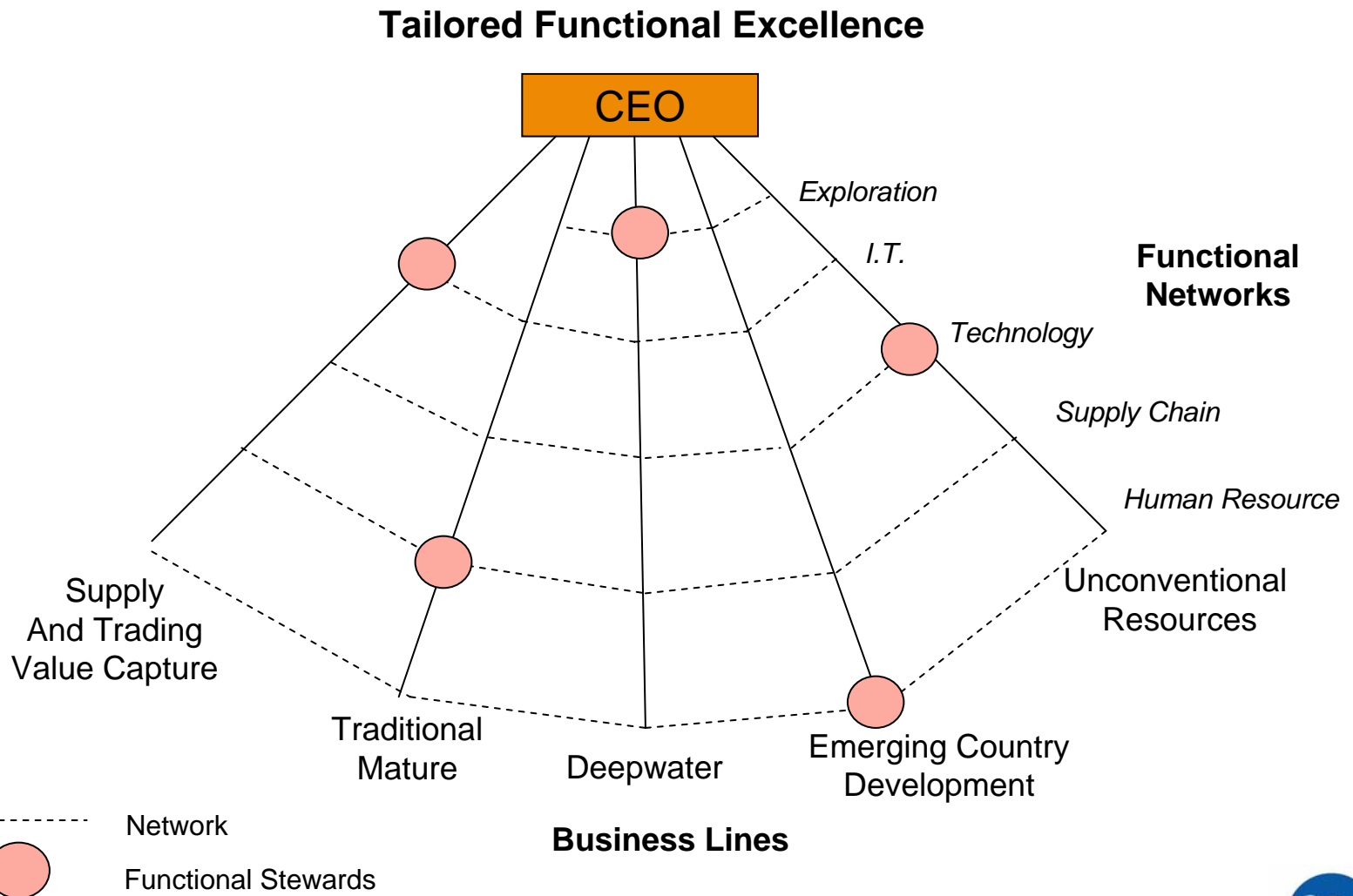
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# ...in which design follows function – focusing on differential sources of value...

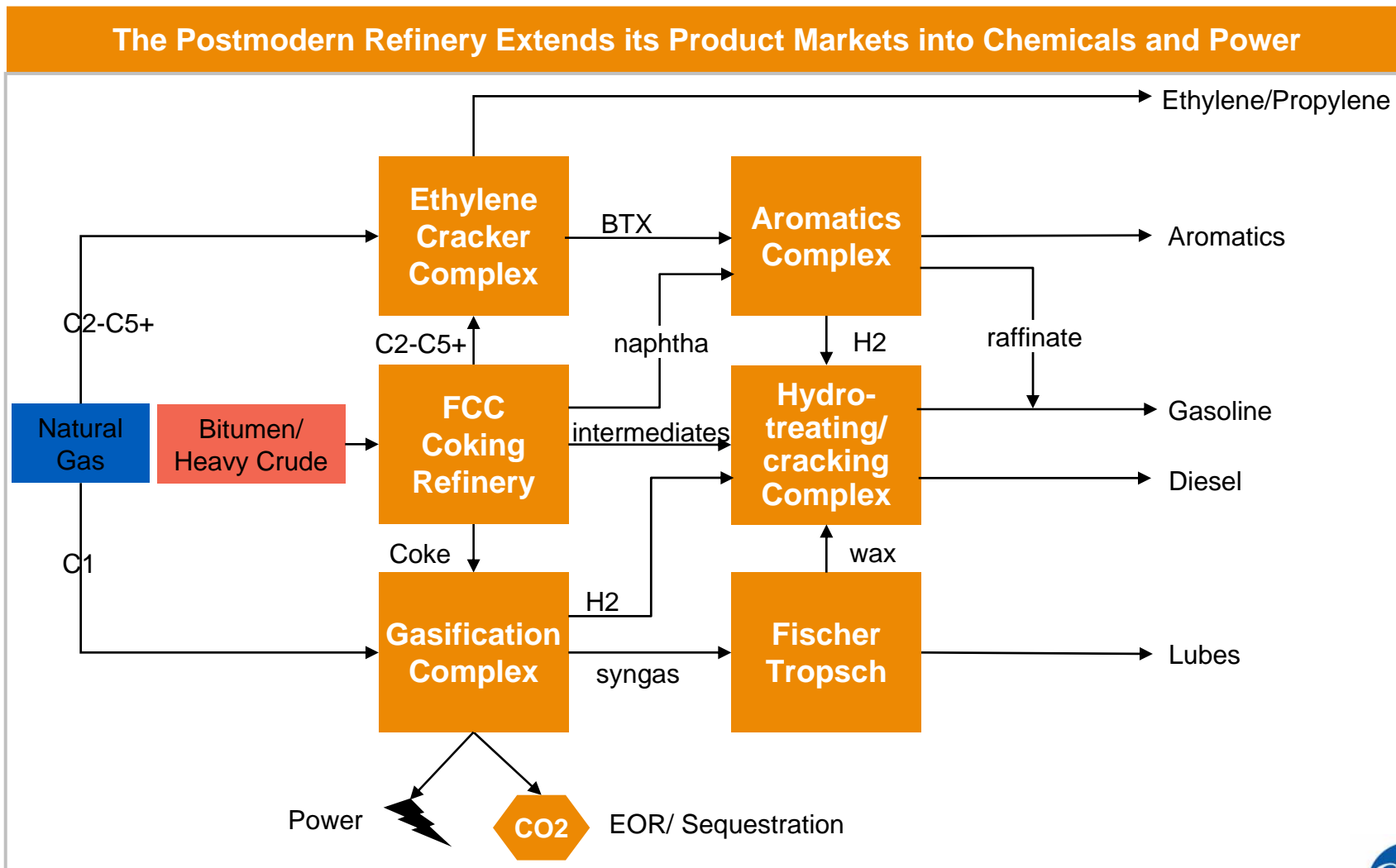
## Distinctive Postmodern Sources of Value

<b>Traditional Mature</b>	<ul style="list-style-type: none"> <li>• Cost control</li> <li>• Supply chain management</li> <li>• Acquisition and consolidation</li> </ul>
<b>Deep Water</b>	<ul style="list-style-type: none"> <li>• Exploration success</li> <li>• Production platform project management</li> <li>• Infrastructure leverage</li> </ul>
<b>Emerging Country Development</b>	<ul style="list-style-type: none"> <li>• NOC and government relations</li> <li>• Innovative deal making</li> <li>• National content development</li> </ul>
<b>Unconventional Resources</b>	<ul style="list-style-type: none"> <li>• Extraction and Process Technologies</li> <li>• Project management</li> <li>• Integrated hydrocarbon supply chain development</li> </ul>
<b>Supply &amp; Trading Value Capture</b>	<ul style="list-style-type: none"> <li>• Risk management</li> <li>• Creative product development</li> <li>• Information systems</li> </ul>
<b>Portfolio Strategy</b>	<ul style="list-style-type: none"> <li>• Clear view of business context</li> <li>• Business/Project risk assessment</li> <li>• Portfolio modeling</li> </ul>

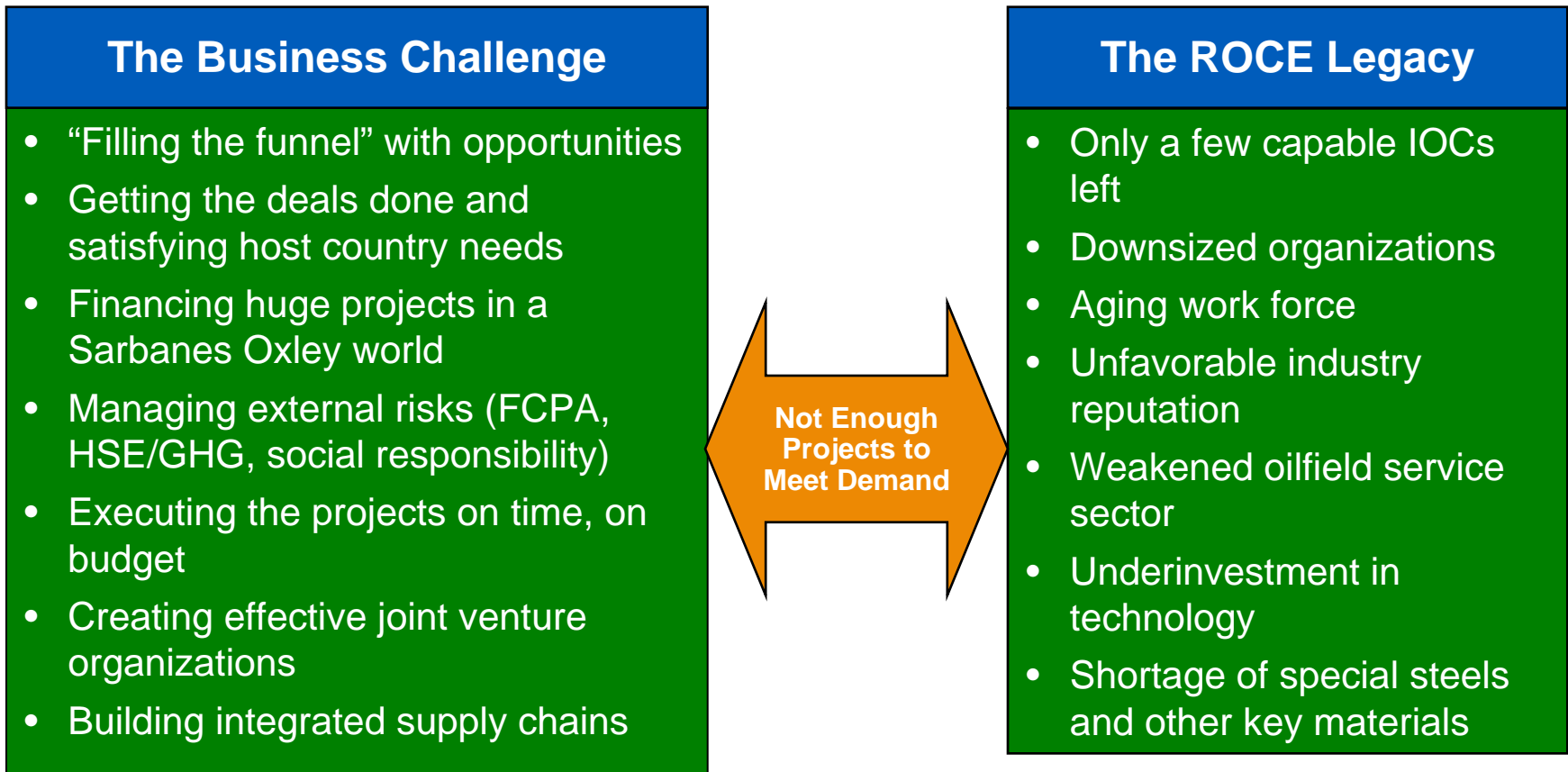
# ... including nodes of functional excellence networks where they are most needed



# Rethinking what a refinery should look like.

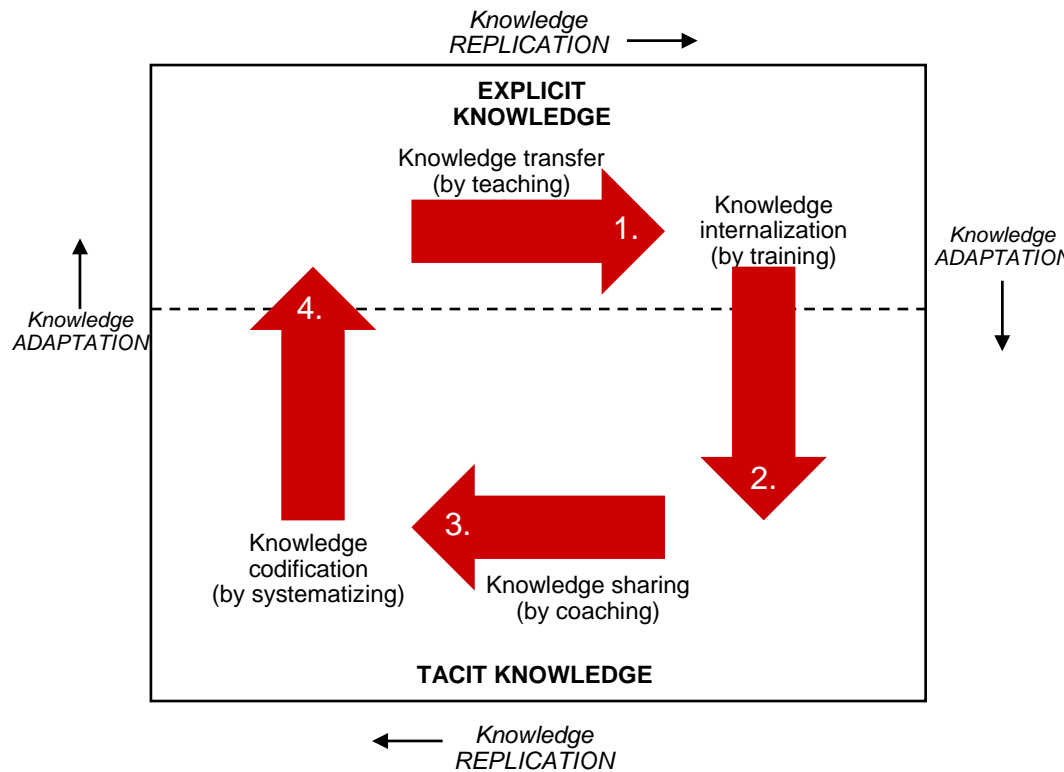


# Addressing the Capability Shortfall...



# ... retaining the greying experience base while adding a new, diverse work force

## Capability Retention And Transfer

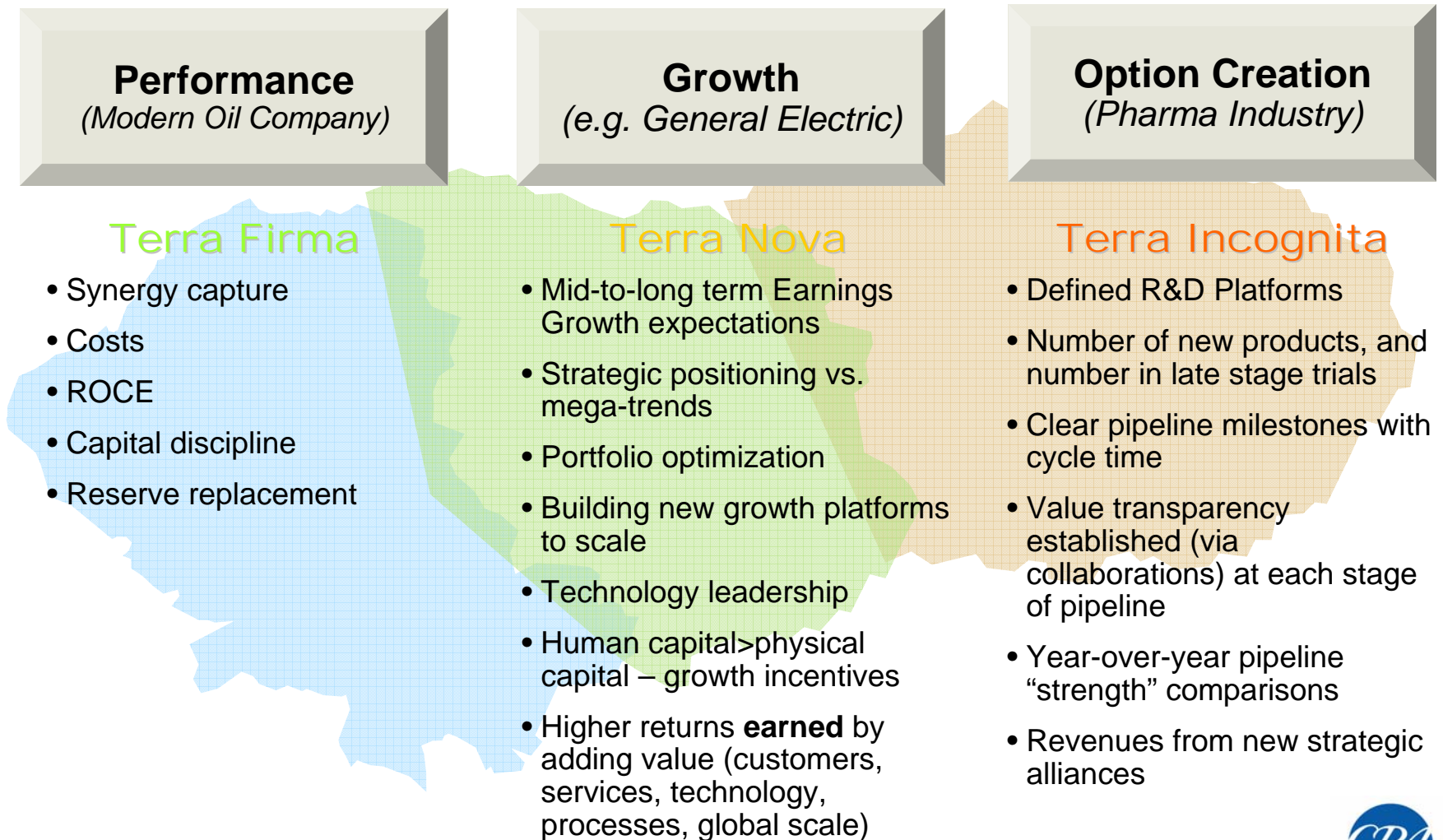


Source: *The Accelerating Organization*, Arun Maira & Peter Scott-Morgan, p. 222

## Capability Challenges

- Experienced employees enriched by high stock values heading for the golf course?
- “Best of the Best” new recruits only available in developing countries
  - China graduating 500,000 engineers per year = 10x US total
  - National content targets oblige companies to nurture local talent
- Flat organizations and performance models predicated on experienced staff

# Measuring and communicating post-modern progress beyond traditional near-term metrics



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