

# Implementation of Exploration Stage Gate System and Guideline in JX Nippon

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## What's Next?

SIS Global Forum 2017

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Le Palais des Congrès de Paris

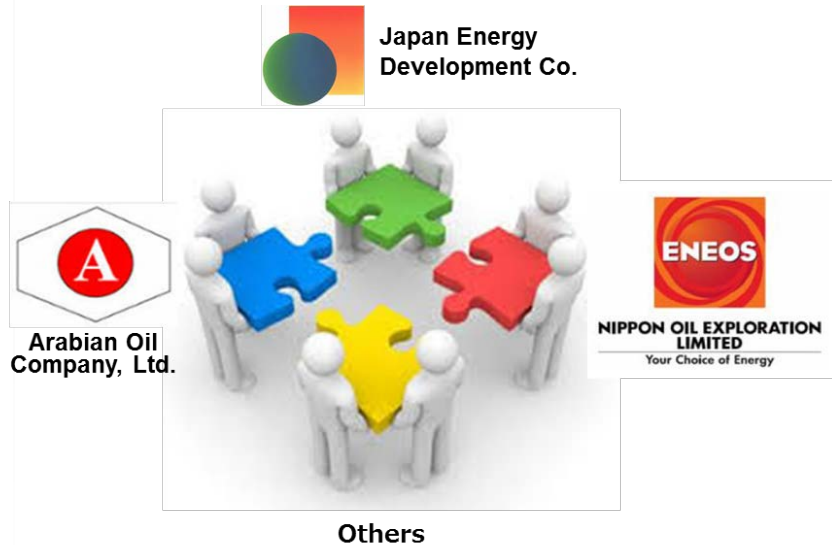
**Schlumberger**

# Outline

- The Study
- Guideline Structure
- Current State
- Way Forward

# Background of Guideline & Stage Gate System

JX Nippon has experienced several corporate mergers last 20 years. Such a diversified corporate culture is a **'strength'** of the company. However, we recognized a significant need to establish **'guidelines'** for technical evaluations.



Number of technical staff members who have different company's culture and background working together after mergers

<Issues>

- Evaluation methods
- Decision processes are different ...



**'Standardization'** is indispensable

And, of course, our exploration result needs to be improved...

# Situation Analysis

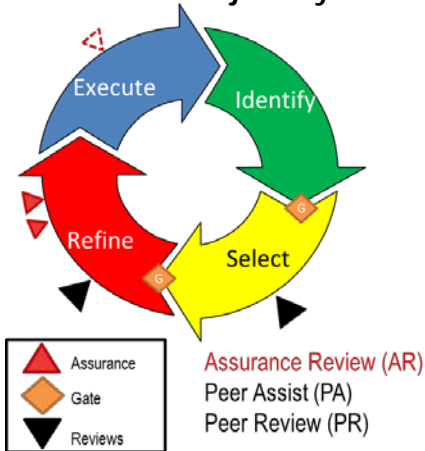
Need to transition from 'Diversified' to Unified

Topic	Area(s) for investigation	Main finding(s)
Strategy & Objectives	<ul style="list-style-type: none"> <li>How are exploration goals communicated and measured?</li> </ul>	<ul style="list-style-type: none"> <li>Little evidence of common/shared goals</li> <li>Strategy is defined, but left to interpretation</li> <li>Exit criteria not linked to strategy</li> </ul>
Decision Criteria	<ul style="list-style-type: none"> <li>How well defined are the decision criteria and process?</li> </ul>	<ul style="list-style-type: none"> <li>Needs to be clearly communicated</li> <li>Too restrictive at times (1% throughput)</li> <li>Not objectively applied to all opportunities</li> </ul>
De-risking Process	<ul style="list-style-type: none"> <li>Does current process help or hinder the results achievement?</li> </ul>	<ul style="list-style-type: none"> <li>Technical Assurance steps need better definition and early participation</li> <li>Sub-surface risk assessments need to be driven by evaluations</li> </ul>
Deliverables	<ul style="list-style-type: none"> <li>How do evaluations influence decision making?</li> <li>How effective is the risk mitigation?</li> </ul>	<ul style="list-style-type: none"> <li>Need to define a Decision Support Package (DSP) with sufficient Technical Assurance</li> <li>Information sharing (Lessons learned) needs better structure and guidance</li> </ul>

# Exploration Project Management Guideline (EPMG) Structure



## Generalized Project Cycle

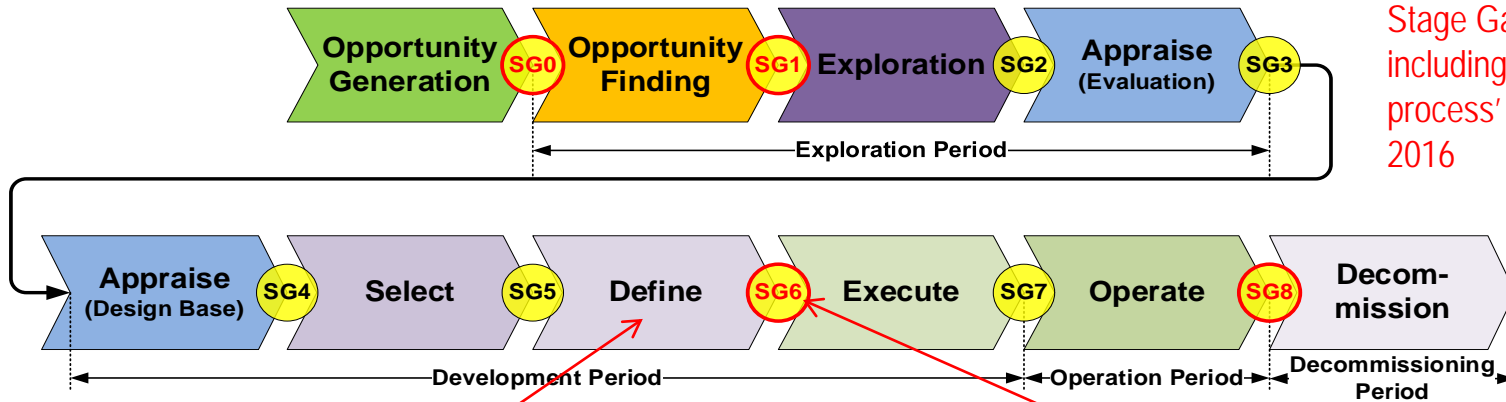


**'Standardization and clarification'** of evaluation process will improve our exploration target. The Guideline will support smooth execution of the 'Project Cycle'...

- Challenges and Issues
  - Complexity of decision making process.
  - Duplication and Repetition of work in assets.
  - Under-developed Uniform Criteria for Exploration Investments.
- Drivers
  - Strategic Approach for Exploration Investments
  - Portfolio Management
  - Mid-Long Term Vision for Exploration including HR development.
  - Risk and Uncertainty Mitigation -Improved Geological Evaluation Quality
- Consisting of two sub-guidelines (with detailed workflows)
  - Exploration Risk and Value Assessment Guideline
  - Exploration Document and Knowledge Management Guideline

# Overview of JX Stage Gate System

Decision Based Process → Only right and ready project is allowed to proceed!



Stage –

Project Team executes activities and delivers outcomes to support decision making at Gate to progress the project.

Gate –

Decision is made by Authority to proceed, suspend or cancel project based on available information and the recommendation from Independent Stage Gate Review

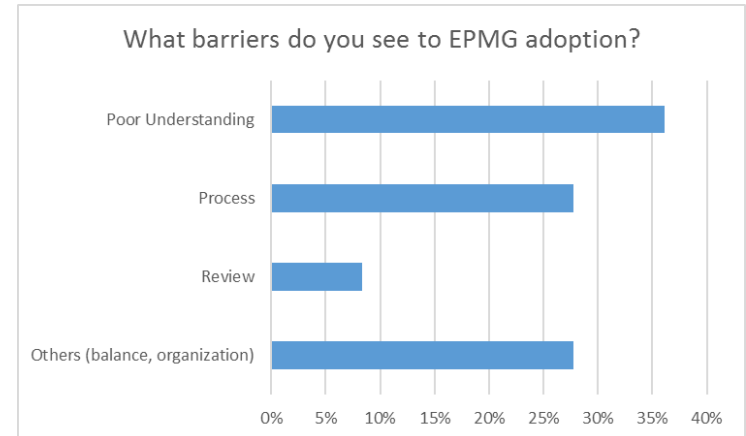
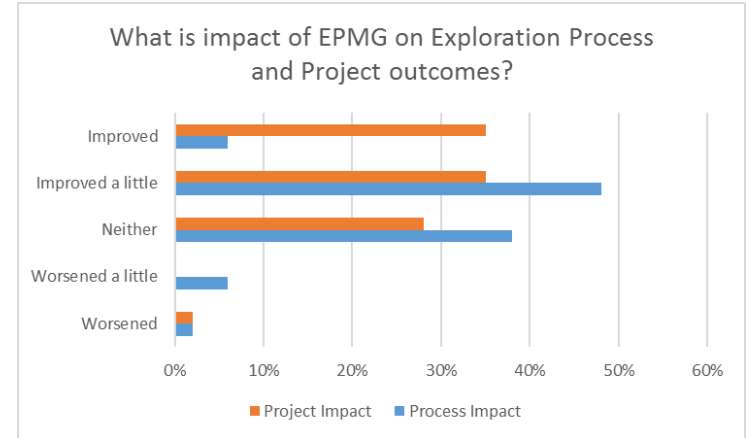
One year since introduction of the 'Stage Gate System' and the 'Guidelines' to our exploration evaluation process...

What's going on?

- 'Piloted guidelines' on some existing exploration projects to deepen our knowledge and familiarize the organization with system and guideline.
- Conducted 'internal survey' to follow up on challenges of execution, level of adoption and acceptance of guidelines.

# Survey Highlights

- Large majority (>90%) of responders recognize value of EPMG
- Most (>70%) of responders believe that EPMG will improve exploration process
- Project impact of EPMG on exploration process and projects is largely seen as positive, with some exceptions
- Some barriers to adoption identified from piloting
  - EPMG information sharing
  - Process – scalability, peer assists
  - Assurance – reviewer’s ability
  - Balance – standardization vs uniqueness





# Way forward

- Survey feedback quite useful in charting the way forward. Several initiatives implemented;
  - Defined a 'task force' to implement changes and support adoption effort
  - Periodic updates and EPMG information sharing sessions to engender in-depth understanding
  - Expose all stakeholders to EPMG for better adherence
  - Introduce standards for reviews of all projects
  - Technology enable 'sub-guidelines'
  - Share success cases for EPMG (organization-wide)
  - Pay special attention to technical assurance (esp. Peer Assists & Peer Reviews)

