

Alignment between Risk & Reward with the help of Sophisticated Economic Evaluation Solution

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Agenda

1. **MPCL AND THE COST PLUS FORMULA**
2. **CURRENT MARKET SITUATION**
3. **OIL PRICE & ITS IMPACT**
4. **E&P ACTIVITIES IN MPCL**
5. **MPCL RESTRUCTURING**
6. **KEY CHALLENGES**
7. **INTEGRATED APPROACH**
8. **EFFICIENCY**
9. **CONCLUSION**

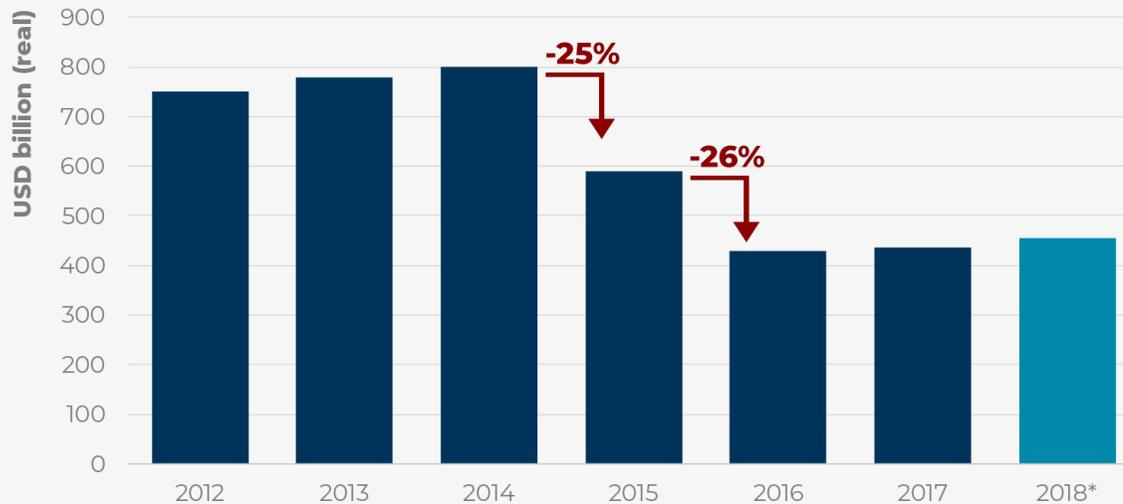


MPCL & Cost Plus Formula

- **Predominantly Gas Producer**
 - 2nd Largest in the Country. Operator of the largest gas reservoir.
 - Supplying to Fertilizer Sector, Power Sector and to the National Grid
 - Uninterrupted supply to customers for the last 50 years
- **Fixed Return Formula**
 - Revenues to cover all expenses
 - Guaranteed return to Shareholders
- **Dismantling of this formula**
 - Market oriented pricing formula
 - Revised policies

Global Capital Spending Trend

Global oil & gas upstream capital spending, 2012-2018
Oil 2018



*Preliminary based on selection of investment updates



22% reduction in Development spending during 2015-2020

– Wood Mackenzie

Oil prices and its impact

- Oil Prices Crash resulted in capital investment constraints
- Economics became all the more critical
- Number of Sensitivities and analysis increased to justify new investment decisions
- Analysis of existing portfolio
- Farm In / Farm Out and Acquisitions opportunities
- High risk assets impact on the portfolio

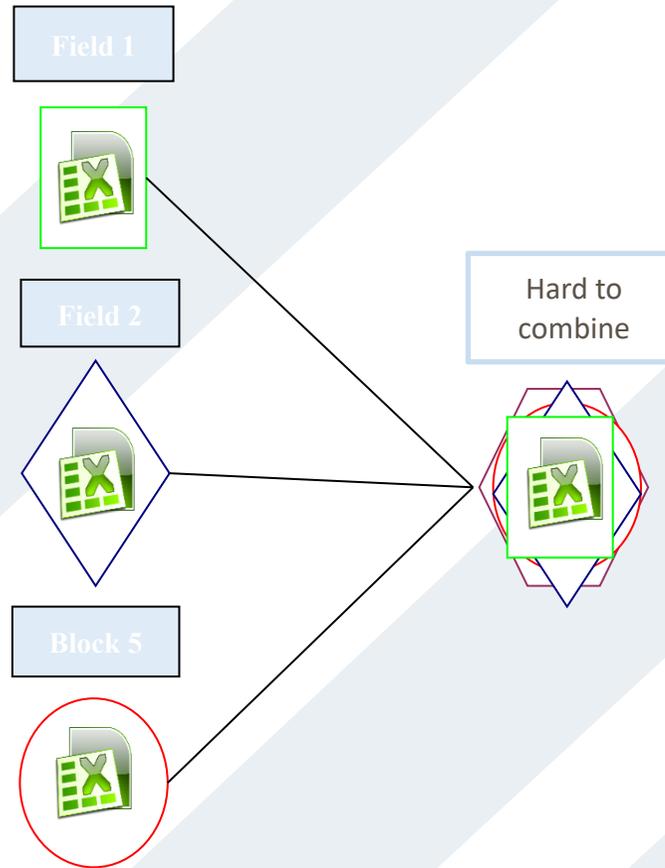
E&P Activities

- 5 year exploration plan
 - Current and Newly Acquired Acreage
 - Blocks Acquired Through Bidding Rounds
- International Acquisition
 - Evaluation of both onshore and offshore opportunities

Key Challenges

Individual Models

- **Inconsistency** in models
 - Tax
 - Pricing
 - Corporate Assumptions
- **Untraceable** errors
- Unique structure: **Succession** difficult
- **Sensitivities**: time consuming
- Focus on accuracy instead of analysis



Corporate Level

- Difficult to **consolidate** each model for portfolio analysis
- Reports not **customizable**
- Time intensive **Scenario Analysis**
- Lack of **central database**

Integrated Approach

Implemented:

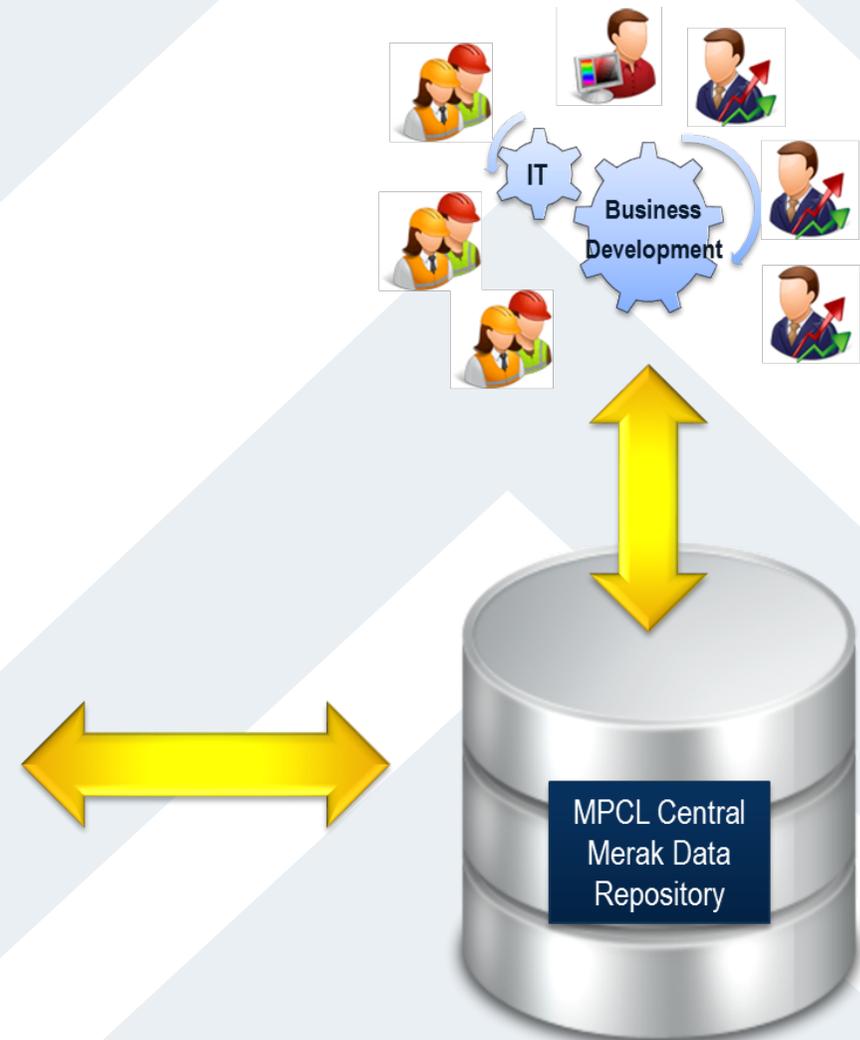
- Automated Petroleum Economics through Merak Peep
- Customized fiscal regimes
- Exploration Assets and Producing Fields
- **One database** for all the economic valuation of the company



Value:

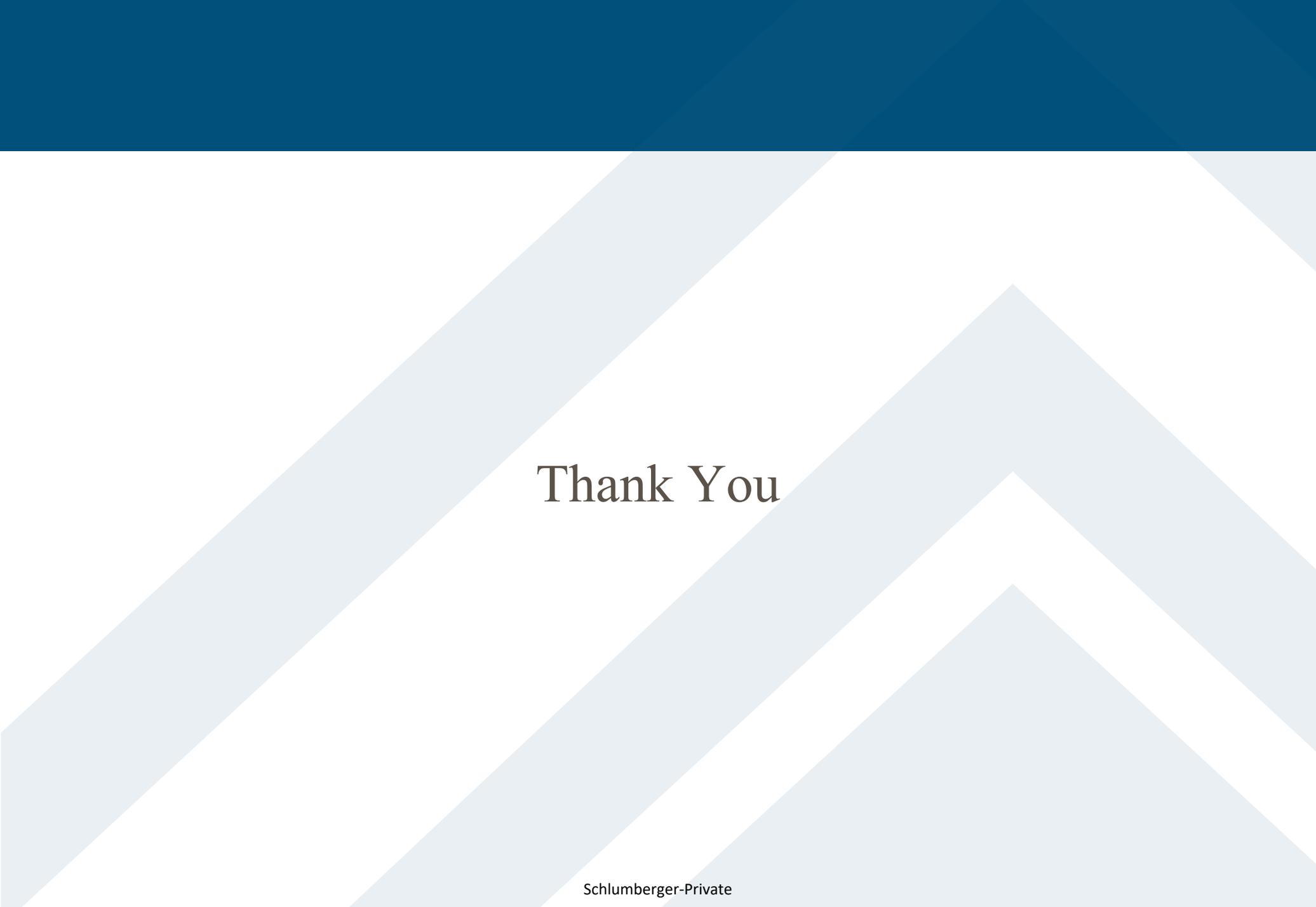
- **Standardization** of economics and data
- Make optimal decision: Focus now on **analysis**
- Corporate **Planning automated**
- Shift of approach from Person Dependent to **Process Oriented**

Integrated Approach (Cont'd)



Value Optimization/Conclusion

- To enable MPCL with a Dynamic and Robust Business Planning Solution that encompasses the areas of Economic Evaluations & Fiscal Modelling of its upstream operational activities
- **Technology**
 - Migration from Excel based Economic Modeling ✓
 - Standardized Platform ✓
 - FML Customized Models ✓
- **Time**
 - Time management ✓
 - Intuitive ✓
 - System Generated Results ✓
 - Multiple Scenarios ✓
- **Reporting Structure**
 - Flexible/Dynamic Reporting ✓
 - Drill down Reports ✓
 - Consolidation ✓
 - Batch Processing & Rollup Reports ✓



Thank You