

UKOOA-DTI
Exploration Activity &
Yet-to-Find Survey Analysis
February/March 2003

Context

- Increasing concern about lack of exploration in 2002
 - 16 well spuds (1998=16) lowest since 1965
- Oil price has remained buoyant
 - Over \$25/bbl vs \$15/bbl in 1998
- Survey sought to throw light on reasons quoted for exploration decline:
 - Changes in basin maturity
 - international competitiveness
 - new technology allows better well selection
 - corporate reorganisations or portfolio re-evaluation
 - skills and resource availability

Process

- Pilot Economic Advisory Group identified need for survey in September 2002.
- Work group comprised of policy experts explorers, economists from DTI, UKOOA, NOF
- Two-part survey designed to find
 - reasons for low exploration activity
 - yet-to-find oil and gas resources on UKCS
- Confidential survey of all UKCS licencees conducted by UKOOA in 4th quarter 2002
- Results remain anonymous to work group

Survey Participation

- Part A - Exploration Activity
 - 37 participants (operators and non-operators)
 - Prospectivity
 - Economics
 - Organisation
- Part B - Yet-to-find resources
 - 24 participants (only operators) and DTI
 - Bottom-up estimates built up from block analysis
 - Top-down estimates from basin analysis
- Participants did not all answer every question

Survey Participants

- 37 Participants
 - Represent 95% of recent exploration drilling activity*
 - Includes all 'Top 15' most active companies
- Categorised as 'large', 'medium', or 'small' to aid interpretation
 - Categorisation based on International rather than UK size

	No. of Companies	Net wells drilled*	Net wells /company
Large	8	33.4	4.2
Medium	12	31.5	2.6
Small	17	4.3	0.25
Non-respondents		3.3	
Total Industry		72.5	

* UKCS Exploration wells drilled 2000-02 per Wood Mackenzie

Ranking of significant factors restricting exploration activity (35 companies)

Overall ranking 1-8, with large medium and small company rankings

Issue	Small	Medium	Large	Score
1. Global competition for limited funds	1	1	2	313
2. High cost of exploration	3	2	9	228
3. Lack of confidence in fiscal regime	2	6	6	227
4. Size of prospects	8	4	3	214
5. High costs of development and operation	5	10	5	198
6. Materiality	14	3	1	196
7. Exploration Risk too high	7	5	4	192
8. Restricted access to attractive opportunities	4	7	13	161

Ranking of significant factors restricting exploration activity (35 companies)

Overall ranking 9-16, with large medium and small company rankings

Issue	Small	Medium	Large	Score
9. Partners unsupportive	6	12	8	152
10. Commercial process/deal making too slow	8	8	10	123
11. Uncertainty over infrastructure access and tariffs	10	8	14	112
12. Company's recent UKCS success rate too low	12	13	7	106
13. Strategic focus not in UK	16	11	13	101
14. Industry's recent UKCS track record too low	15	13	11	75
15. Operator unsupportive	11	16	-	57
16. Lack of or distance to infrastructure	-	15	-	36