



Decision Risk Analysis

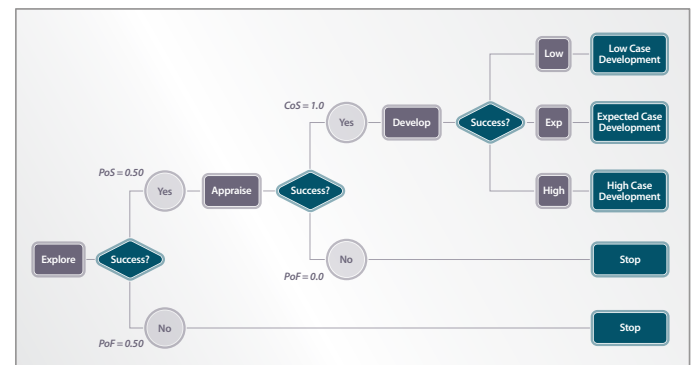
Project Overview

Petrenel was engaged to provide an opinion on whether a non-operated venture partner should participate in the drilling of a costly deep water exploration well or not and run the risk of having to back-in, at a significantly higher cost, should a sole risk well result in a successful discovery.



Petrenel's Approach

- ... Gathered and evaluated the available seismic and subsurface data
- ... Reviewed the terms sole risk arrangement in the joint venture agreement
- ... Quantified the potential hydrocarbons initially in place and range of uncertainty
- ... Assessed the chance of finding commercially recoverable oil and/or lower value gas
- ... Built an economic model with a probability tree representing each of the potential outcomes using Petrenel's proprietary software
- ... Prepared an integrated conceptual development plan, including cost estimates and production forecasts, for a successful exploration outcome
- ... Assessed the probability and net present value of each outcome
- ... Compared the Expected Monetary Value of the decision not to participate with that of participating



Outcome and Client Benefit

The prospect had a direct hydrocarbon indicator (flat spot) and there was considered to be a high chance of finding hydrocarbons, albeit most likely gas in the upper target. Hence, Petrenel's recommendation was for the company not to participate in the drilling of the well until the upper section had been evaluated. The well was drilled and gas was found as predicted.