RESERVES REQUIRED FOR INVESTMENT IN PRODUCTION DEVELOPMENT PROJECTS

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ABSTRACT **)

Despite current uncertainties oil and gas will be the dominant energy source throughout the world for the next decade or two. But the sustained investment required to develop adequate new reserves will exceed the internally generated cash flow of the international petroleum industry. Therefore investments in production development projects will be carefully assessed with regard to the economic/political environment and to the financing available. Since the economics of the development projects reflect the interaction of many variables a general model is developed to permit a company to evaluate a specific project in a particular country in terms of its own decision criteria. An example is used to compare hypothetical developments in the USA, UK and Indonesia based on representative investments costs and prices. Sensitivity analysis and ranking procedures are also discussed.

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