This case study is designed to encourage debate on the relative importance of financial engineering of an opportunity portfolio to maximize its potential value, compared to leveraging an existing set of capabilities to create value.

The premise is that Maradarko and Copache have both lost ground to their peer company Aristoil in creating shareholder value, have developed an interesting set of growth opportunities the value of which have not been fully recognized by, and face important strategic decisions on whether to pursue all the opportunities or sell down or out of some of them. The strategic decisions require reflection on the intrinsic value of each opportunity in terms of its growth potential, returns on investment and risk as well as the positioning of each company in terms of shareholder value proposition. What attracts shareholders to each company beyond the financials? Do investors understand and more important do they like the current strategies, what capabilities do they believe are distinctive, do they trust the company to deliver on its promises?

The hypothesis is that the “best” solution for each company may require different approaches to developing strategy. The following page lays out a set of questions that teams may want to consider as they deliberate on the “best” strategy for their company.
Seven (Different) Questions for the Teams to Address

Copache

- If we keep our entire portfolio of opportunities, will we be able to deliver value from each of the potential investments?
- Can we be successful internationally? What would it take?
- Can we be successful as a deep water explorer?
- If we determine we should sell down some assets, which should we divest and in which do we wish to retain an interest? Why?
- If we simplify the portfolio, will there be enough growth opportunities to allow us to sustain our shareholder value proposition?
- At an existential level, who are we and what do we stand for?
- Do we need to cultivate some new capabilities? How should we do that?

Maradarko

- What might be the consequences of retaining operatorship of La Buseta on the rest of the firm?
- Can we resolve potential financial challenges through project finance?
- What management challenges would remain to be resolved after project financing?
- Should we retain operatorship: Of the field development? Of the LNG project and operations?
- If we decide on asymmetric ownership, what transfer price should we propose for natural gas from the field to the LNG plant? Where would we transfer title: at the production platform, or after liquids extraction?
- If we sell down to a company that wishes to operate the field and LNG plant, what share should we keep? Would we want to market our share of the liquids; of the LNG?
- If we sell a significant interest, what would we do with the money?