

COURSE SYLLABUS

YEAR COURSE OFFERED: 2018

SEMESTER COURSE OFFERED: Summer

DEPARTMENT: Finance

COURSE NUMBER: FINA 7397-02 (18308) Strategies for Value Creation
in Oil and Gas

NAME OF COURSE: Strategies for Value Creation in Oil and Gas

NAME OF INSTRUCTOR: Christopher Ross, Executive Professor

The information contained in this class syllabus is subject to change without notice. Students are expected to be aware of any additional course policies presented by the instructor during the course.

Learning Objectives

This course aims to provide future senior executives with the concepts and tools necessary to relate the strategies, economics and social responsibilities of resource capture, development and operations to shareholder value creation approaching the third decade of the 21st century. The purpose of the course is to prepare future general managers to think and act strategically in building and maintaining a valuable portfolio of resources and businesses with a desired risk profile. Students focusing on finance will also benefit from an understanding of the factors influencing value from the point of view of buyers and sellers of resources as well as the strategic and social requirements of resource capture and development.

To achieve these objectives, the course will employ presentation materials, case studies and visits from energy company senior executives¹. Presentation materials will include the economics of different frontier resources and their sensitivity to oil and gas prices and changes in fiscal terms and costs. Visiting speakers will describe the performance histories of companies with expertise in particular resource specialties (e.g., oil and gas shales, LNG, deep water) as well as companies with more balanced portfolios, and will lead to class discussion of how value has been created for investors.

The context for the course continues to be whether the growing global competition for resources as “the new billion” consumers in China and India demand living standards similar to those of the West is going to be mitigated by “peak oil demand” induced by changes in the transportation sector. The class will debate whether the current oil and gas price slump will persist, whether

¹ Scheduling dependent on availability

COURSE SYLLABUS

increased demand will inexorably drive up energy prices or whether efficiency and substitution for hydrocarbons and/or increased prices for carbon dioxide emissions will curtail demand growth and suppress price increases.

Major Assignments/Exams

Two case studies will provide students with the opportunity to work in teams to develop a portfolio strategy and to negotiate an acquisition. One case study will explore the preferred corporate strategies for two large independent oil and gas companies facing pressure from shareholder activists; the second case study will feature a negotiation game between an emerging independent with substantial oil shale resources and a major oil company wishing to acquire them. Students will also be required to review interview comments in *Terra Incognita* to write a short Reaction Paper comparing the strategic and organizational philosophies of former CEOs Helge Lund (ex-Statoil) with Gwynn Morgan (ex-Encana). There will be an exam towards the end of the course with multiple choice and short answer questions referring to the presentation materials delivered during the course.

Required Reading

Terra Incognita: A Navigation Aid for Energy Leaders by Ross and Sloan

Recommended Reading

The Prize and The Quest, both by Daniel Yergin, and a selection of articles and reports providing background on energy projections and issues that will be made available on Blackboard.

List of discussion/lecture topics

The course outline, excluding invited speakers (to be confirmed), and assignments are shown in the Table below:

COURSE SYLLABUS

Date	Topic	Assignment/ Speaker	Reading*
Class 1 (Jun 5)	Energy Business Outlook <ul style="list-style-type: none"> ▪ Learning from the past ▪ Consensus View of the Future ▪ Shareholder Value Framework 	Compare Lund Vs. Morgan	Terra Incognita: A Navigation Aid for Energy Leaders: Chapters 1, 7-10
Class 2 (Jun 7)	Scenarios and Strategy Development <ul style="list-style-type: none"> ▪ Scenarios ▪ Strategy Development ▪ Organic Growth Frontiers 	Brent Smolik, CEO EP Energy Maradarko-Copache Strategy Introduce Case Study Assignment	Terra Incognita: Chapters 5, 6
Class 3 (Jun 12)	Current Frontiers – 1 <ul style="list-style-type: none"> ▪ Shales ▪ Deep Water 	Hossein Rokhsari, Founder Darcy Partners	Terra Incognita: Chapters 7, 8
Class 4 (Jun 14)	Current Frontiers – 2 <ul style="list-style-type: none"> ▪ LNG ▪ Oil Sands ▪ Introduce the negotiating game 	Email Lund Vs Morgan Guy Dayvault, Advisor, Alaska LNG Introduce Negotiating Game Case Study	Terra Incognita: Chapters 7, 8
Class 5 (Jun 19)	Societal Demands <ul style="list-style-type: none"> ▪ Globalization ▪ Civil Society & Sustainable Development ▪ Climate Change Policies ▪ Social Performance Management 	Jim Tramuto, formerly SWN head of government affairs	Terra Incognita: Chapter 4
Class 6 (Jun 21)	Strategy Presentations, Negotiating Game Intro <ul style="list-style-type: none"> ▪ Report on strategy assignment ▪ Discuss valuation Issues ▪ Negotiation set-up 	Copache-Maradarko Strategy Reports Flagler-Palm Springs Negotiating Tactics Session	
Class 8 (Jun 26)	Shareholder Value Creation by Sector <ul style="list-style-type: none"> ▪ Leading through price cycles ▪ Sector Shareholder Value Creation 	Time for negotiations	Terra Incognita: Chapter 3, 5, 9 Riding the Cycle Series of OGFJ articles
Class 7 (Jun 28)	Coopetition for Resources <ul style="list-style-type: none"> ▪ National Oil Companies ▪ Internationalizing national oil companies 	Gamal Hassan, CEO ADH International	Terra Incognita: Chapter 2
Class 9 (Jul 3)	Energy Policy <ul style="list-style-type: none"> ▪ Objectives ▪ U.S. States & International Power Costs 	Policy Debate Time for Negotiations	Blog: Energy Policy under the Trump Administration
Class 10 (Jun 5)	Lessons from the C-Suite <ul style="list-style-type: none"> ▪ Feedback from senior executives ▪ Discussion on critical issues 	Negotiation Game Presentations Reprise Lund Vs. Morgan Take-home Exam	Terra Incognita, Chapters 9, 10