

Board Metrics in E&P Companies

Performance measurement is critical to managing strategy, planning and execution. E&P executives use performance metrics to help make better decisions about how to run their business. Good metrics inform the correct discussions, decisions and actions to be taken, and will ensure accountability. But E&P companies are swamped with data, so they must select performance metrics carefully, and each company will have its own selection of key numbers. Here are the most common metrics used at the corporate level.

Health, Safety, Security and Environment

- Number of incidents reportable to gov't, per year
- Number of lost time incidents, per year
- Total recordable injuries rate per million man-hours
- Total high potential incidents per million man-hours worked
- Number of loss of containment incidents
- Greenhouse gas emissions, tonnes CO2 equivalent
- Number of oil spills above a threshold (100kg, say)

Strategic Objectives

- Production available for sale, boe/day
- Production growth, %
- Reserves, boe
- Reserves Replacement Ratio (RRR), %
- Reserves:Production ratio (R/P), years
- Market share (e.g. production, acreage), %
- Realised oil (\$/bbl) and gas (\$/mscf) prices
- Netback prices (net of royalties, production and transportation expenses), \$/bbl or \$/mscf
- Portfolio split between oil and gas, %
- Sales of LNG, million tonnes

Financial

- Total shareholder return (change in share price assuming dividends re-invested), %
- Return on average capital employed (ROACE), net income/(ave. capital employed), %
- Return on equity, %
- Earnings Before Interest Tax and Amortisation (EBITDA), \$
- Cash flow (including capex), \$
- Capital investment, \$
- Replacement cost profit (remove impact of inventory changes), \$ per share
- Gearing ratio (net debt:(equity+net debt), %
- Interest cover, EBIT/interest expense

Projects and Operations

- Exploration discovery success, % wells drilled
- Finding and Development costs (all acquisition, exploration and development costs), \$/boe
- Lifting costs(all production costs to deliver oil and gas to point of sale), \$/boe
- General and Admin costs (G&A), \$/boe
- Number of major projects
- Turnaround time, days

People

- Number of employees
- Number of contractors
- Number of days training
- Number unfilled positions
- Leadership time in the field
- Employee engagement survey scores
- Diversity and inclusion (e.g. % leadership that are women or from minorities)

Glossary

bbl - barrel
 boe – barrels of oil equivalent (energy basis)
 LNG – liquefied natural gas
 mscf – thousands standard cubic feet

Note: these metrics are "outputs"; by the time they are produced it may be too late to address problems. For this reason, frontline managers also track "leading indicators" to enable them to take timely action. See separate one-page guide.

Courses

- Project Governance
- Risk Management in Oil & Gas
-and others

Other WBC Guides:

- Petroleum Economics
- Shale vs. conventional
- Business Writing

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