

PETROLEUM GEOLOGISCHE KRING

KONINKLIJK NEDERLANDS GEOLOGISCH MINBOUWKUNDIG GENOOTSCHAP



PGK

Secretary: Alessandra Giacometti De Bruynestraat 25 2597 RD Den Haag Phone: 070-3627132 E-mail: secretary@pgknet.nl	Treasurer: Bastiaan Jaarsma p/a Wintershall Noordzee B.V. Eisenhowerlaan 142-146 2517 KN Den Haag tel. 070-3583028 E-mail: Bastiaan.Jaarsma@wintershall.com
Venue: PGK's monthly meetings are held at the KIVI building, Prinsessegracht 23, Den Haag. Drinks are served from 17:00 hrs; the lecture starts at 18:00 hrs.-.	www.pgknet.nl
Membership: Apply for membership by contacting the secretariat. The annual fee is 15.- Euros.	
Accounts: Fortis Bank: 88 65 82 733 (PGK, Den Haag)	Postbank: 4074482 (PGK, Den Haag)

NOVEMBER 2003 NEWSLETTER

19 NOVEMBER: MONTHLY MEETING

This month's PGK meeting will be on **Wednesday, November 19, 2003**. The lecture will be given by **Peter Rosenkranz** (EBN) with the title:

“Method to determine the effect of economic screening criteria and fiscal regimes on the future reserves in the Netherlands”

Please see other side of this newsletter for the lecture abstract.

KNGMG STARING SYMPOSIUM: “Developments in Production Geology”. **Friday, November 14, 2003, 13.00 hours**, Dept. of Earth Sciences, Budapestlaan 4, Uithof, Utrecht. Lectures will be given by L. van Geuns, J. Noad and K. van der Zwan. At the end of the symposium the “Van Waterschoot van der Gracht Penning” will be awarded to Prof. K. Weber for his lifetime achievements.

DECEMBER MEETING: It will be held on **Wednesday, December 17, 2003**. with a lecture by **Marc Budding** entitled “Geological Notes on Suriname”. A Suriname-style buffet will follow. Please confirm by e-mail to secretary@pgknet.nl if you plan to attend.

NEW MEMBERS: Applications for membership have been received from Maartje Koning (ARGO) and Roger Saint (Consultant). If no objections are received prior to or during the next meeting, they are automatically admitted as members of our society.

PGK BOARD: Due to transfers abroad by vice-chairman Jan de Coo and treasurer Marco van der Meulen the board has decided to fill these posts with interim appointments by Wiekert Visser and Bastiaan Jaarsma. Furthermore, PGK secretary Alessandra Giacometti will only be available part-time in the future and Harry Brandsen will fill in as acting secretary. The three appointments will be made definitive following proper procedures. We want to thank the three board members for their valuable contributions and wish them much success in the future.

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Monthly meeting: Wednesday 19 November 2003
Address: KIVI building, Prinsessegracht 23, Den Haag
Social hour: (free drinks) between 17:00 and 18:00 hrs
Lecture: at 18:00hrs

Method to determine the effect of economic screening criteria and fiscal regimes on the future reserves in the Netherlands.

Peter Rosenkranz (EBN)

The Futures in the Netherlands, the reserves to be discovered by exploration in the coming years, are in the first place a function of the number and quality of the prospects. It is important to realize that a prospect portfolio is never static. As a result of new geological ideas, new or reprocessed seismic surveys or other interpretations of the subsurface, new prospects are identified. Existing prospects may be upgraded or downgraded. This makes the prospect portfolio dynamic and the Futures are therefore impossible to predict with absolute precision.

Whether a prospect will be drilled or not is a decision dependent on a number of parameters. The most important parameters are the anticipated reserves, the chance that these reserves are discovered, and the (perception of) gas or oil price in the future. It is not the present oil price that defines the value of a prospect, but the estimate of the oil price in the future. This estimate may be different for each company and may be much lower than the actual price. Some companies have a more conservative view on the future oil and gas price than others.

A way of expressing the value of a prospect is the EMV, the expected monetary value. The EMV is defined by the chance of success times the expected Net Present Value in the success case plus the chance of failure times the cost of a dry hole. The Net Present Value of the success case is a function of the reserves, gas or oil price, the discount rate, the capital and operational expenditure and the government take. The discount rate, the capital and operational expenditure are company dependent. The government has influence via the tax regime.

EBN has, in cooperation with TNO-NITG, developed a method to estimate the Futures as function of the economic conditions. Because of the different development options and costs, offshore is treated separately from the onshore. The basis for the method is the assumption, that prospects are drilled when the EMV is positive. For 'standard' fields the EMV economic thresholds are calculated. These thresholds define which prospects of a prospect portfolio are economic for a given situation (tax system, discount rate, oil / gas price) and which are not.

With a prospect portfolio of the total Dutch offshore and onshore, the method may be used to determine the Futures under given economic conditions. Outcome is the number of drillable prospects, the expected reserves and the expected income for the companies and the State. The method is also suitable to compare different economic conditions by calculating the effect on the Futures.

Please post this page on the board of your office building. A guest with a member is welcome!

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