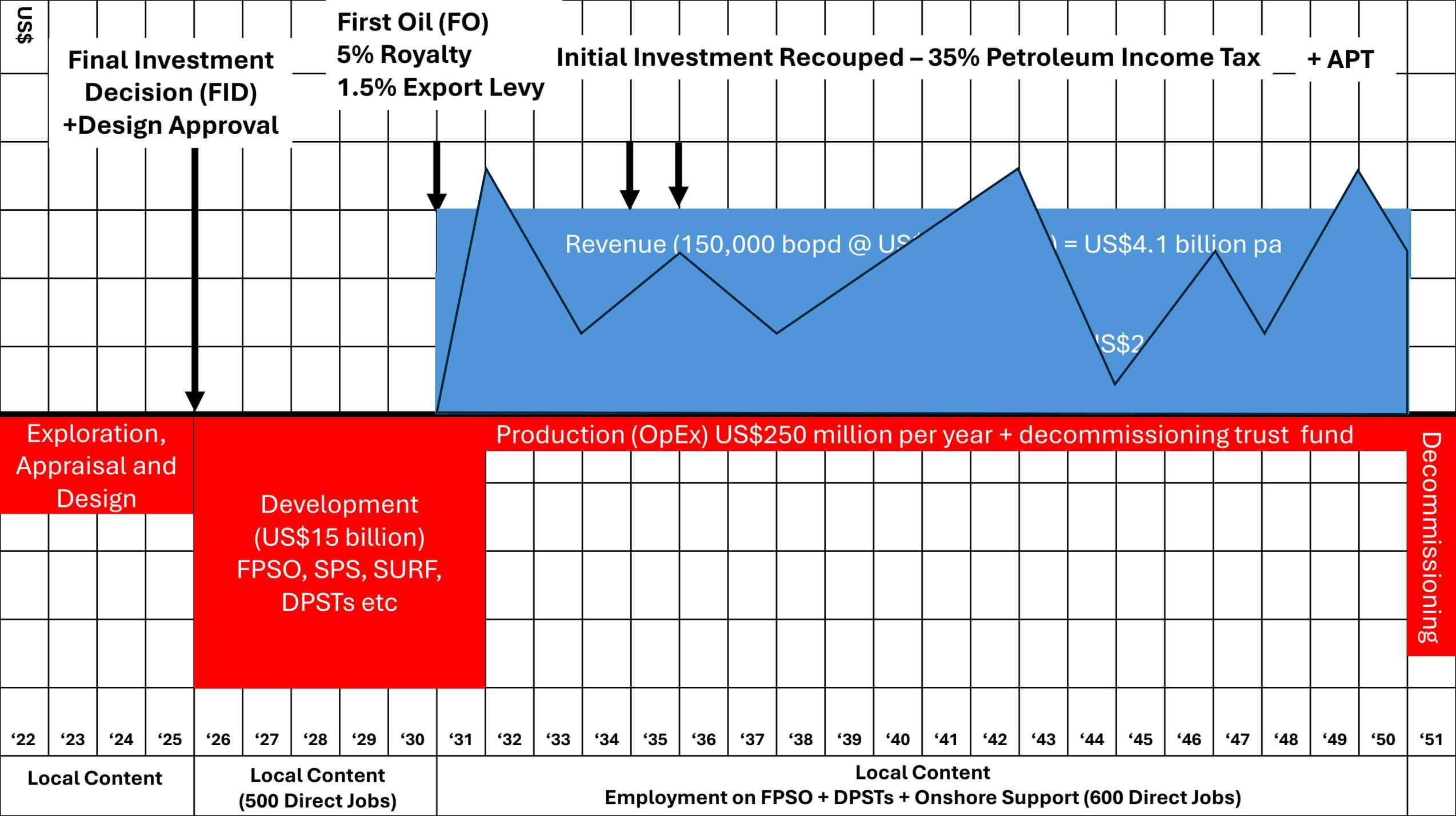


An Idiot's Guide to the Economics of (Ultra) Deepwater Oil and Gas in Two Slides

By Robin Sherbourne
14 August 2025





Do Interests Align?

IOC

Profit maximiser but price taker
Information asymmetry
Exploration expenditure undertaken at risk
Target IRR (higher than other available projects)
Recoup investment as quickly as possible
GOR and geology determine design
Cannot easily stop and start production
Gas reinjection integral to design
No routine flaring
Safety critical
Maximise local content (commercial sense)
Sell out at a later stage to junior

Government

Regulator and also active participant (via Namcor)
Information asymmetry (expertise)
“Maintain at least 30% state carry” (SMIP)
Maximise tax revenue and profits (Namcor)
Recoup investment as quickly as possible
Needs to approve design
Minimise uncertainty wherever possible
Gas used for reinjection rather than sold
No routine flaring (Petroleum Act)
Safety critical
Maximise local content
Maximise reserve depletion