

Option Valuation of Claims on Real Assets: The Case of Offshore Petroleum Leases

[Get access >](#)

James L. Paddock, Daniel R. Siegel, James L. Smith

The Quarterly Journal of Economics, Volume 103, Issue 3, August 1988, Pages 479–508, <https://doi.org/10.2307/1885541>

Published: 01 August 1988

Abstract

This paper extends financial option theory by developing a methodology for the valuation of claims on a real asset: an offshore petroleum lease. Several theoretical and practical problems, not present in applying option pricing theory to financial assets, are addressed. Most importantly, we show the necessity of combining option pricing techniques with a model of equilibrium in the market for the underlying asset (petroleum reserves). The advantages of this approach over conventional discounted cash flow techniques are emphasized. The methodological development provides important insights for both company behavior and government policy. Promising empirical results are reported.

This content is only available as a PDF.

© 1988 by the President and Fellows of Harvard College and The Massachusetts Institute of Technology

Issue Section: [Articles](#)

You do not currently have access to this article.

Sign in

 [Get help with access](#)

Personal account

- Sign in with email/username & password

Institutional access



Sign in through your
institution

- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

[Register](#)

[Sign in through your institution](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

Institutional account management

[Sign in as administrator](#)

Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Option Valuation of Claims on Real Assets: The Case of Offshore Petroleum Leases* - 24 Hours access

EUR €39.00

GBP £33.00

USD \$43.00

Rental



This article is also available for rental through DeepDyve.