

1	Landowner Problem #37		
2			
3	Payoff Tbl		
4	Landowner's Decision to Sell Rights		
5	Offer to Landowner	\$180,000	
6	Additional Offer to Landowner (if NG discovered)	\$1,800,000	
7			
8	If Landowner develop the field herself	\$300,000	
9	Landowner expected Net Profit	\$6,000,000	
10			
11	Landowner's Estimated Probability of Finding Gas	0.60	
12			
13		NG Discovered	NG not discovered
14	Sell Rights	\$ 1,980,000	\$180,000
15	Landowner develop the field herself	\$5,700,000	(300,000)
16	Probability	0.60	0.40
17			
18	Risk	Payoff	Probability
19	Sell Rights	\$ 1,980,000	0.60
20		\$180,000	0.40
21			
22	Develop the field herself	\$5,700,000	0.60
23		(300,000)	0.40
24			
25			