

Multivariate Modeling: Probability and Statistics



Lecture outline . . .

- **Probability in Subsurface Modeling**
- **Frequentist Concepts**
- **Bayesian Concepts**

Introduction

Modeling Prerequisites

Fundamental Concepts

Probability

Sparse Data Workflows

Spatial Estimation

Spatial Uncertainty

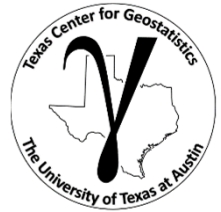
Multivariate, Spatial

Novel Workflows

Conclusions


Instructor: Michael Pyrcz, the University of Texas at Austin

Multivariate Modeling: Probability and Statistics



Other Resources:

- Lectures recorded on YouTube.



Lecture 2: Probability

Introduction

Lecture outline . . .

- Probability Definition
- Venn Diagrams
- Frequentist Concepts
- Bayesian Concepts

Note: some slides were modified from Dr. Zoya Heidari's and Dr. L. Pyrcz's slides.

Prof. Michael Pyrcz, Ph.D., P.Eng., the University of Texas

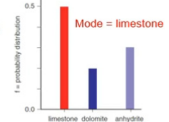
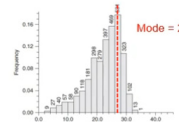
Measures of Central Tendency

Note, population mean is denoted as μ .

- Arithmetic Average / Mean
Sample mean, $\bar{x} = \frac{1}{N} \sum_{i=1}^N x_i$
- Median (P50)
$$\text{Median}(x) = \begin{cases} x_{(N+1)/2} & \text{if } N \text{ is odd} \\ \frac{x_{N/2} + x_{(N/2+1)}}{2} & \text{if } N \text{ is even} \end{cases}$$

assumes sorted into ascending order

$x_1 \dots x_{P50} \dots x_8 \dots x_1 \dots P50 \dots x_7$
- Mode
 - Most common value.
 - Continuous
 - sensitive to bins
 - Categorical
 - highest frequency



Probability and statistics lectures on YouTube.

- Worked out examples on GitHub in Excel and Python

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Probability and Statistics

What should you learn from this lecture?

- **Fundamentals of Statistics and Probability**
 - **Fundamentals of Probability**
 - » **Basic Definitions and Rules**
 - » **Venn Diagram**
 - » **Conditional Probability**
 - » **Probability tree**
 - » **Bayes' Theorem**
 - » **Applications of Probability in Decision Making**

Probability Supports Decision Making



For example:

- What is the probability that a well is a success? – *drill the well*
- What is the probability that a valve has a crack? – *replace the valve*
- What is the probability that a seismic survey finds a reservoir? – *acquire the seismic*
- What is the probability that a reservoir seal will fail? – *inject the CO2*

Most of our decisions involve uncertainty:

- By quantifying probability we can make better decisions.

Probability in Modeling Workflows

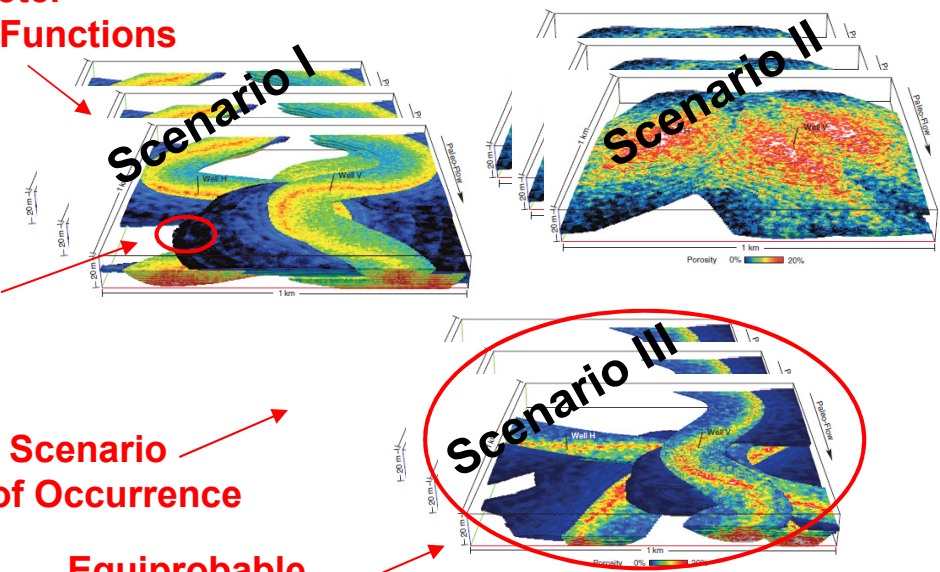


**Model Parameter
Probability Density Functions**

**Local Probability
of Occurrence**

**Discrete Scenario
Probability of Occurrence**

**Equiprobable
Realizations**

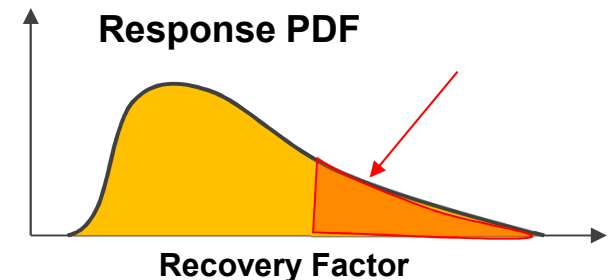


Geostatistical Subsurface Modeling

1. The entire workflow is based on probability (and statistics).
2. We must understand probability and statistics!
3. Let's make sure we are on the same page.

**Transfer
Function**

**Probability of Exceeding
Economic Hurdle**



Probability Definitions

What is Probability?

Frequentist Approach



Measure of the likelihood that an event will occur. For random experiments and well-defined settings (such as coin tosses):

$$\text{Prob}(A) = P(A) = \lim_{n \rightarrow \infty} \left(\frac{n(A)}{n(\Omega)} \right)$$

frequentist approach to probability is the limit of relative frequency over a large number of trials.

where:

$n(A)$ = number of times event A occurred

$n(\Omega)$ = number of trials

Example: Possibility of drilling a dry hole for the next well, encountering sandstone at a location (\mathbf{u}_α), exceeding a rock porosity of 15% at a location (\mathbf{u}_α).

Probability Definitions

What is Probability?

Bayesian Approach



Measure of the likelihood that an event will occur. For any occurrence:

$$P(A|B) = \frac{P(B|A)P(A)}{P(B)}$$

Bayesian approach probability is interpreted as reasonable likelihood representing a state of knowledge or as quantification of a personal belief. Specify a prior and update with new information.

where:

$P(A)$ = prior

$P(B|A)$ = likelihood

$P(B)$ = evidence

$P(A|B)$ = posteriori

Example: Given a prior probability of 40%, a likelihood of 10% and evidence term of 20% the updated posteriori is 20%.

Multivariate Modeling: Probability and Statistics



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Probability Definitions

What is Probability?



We will start with Frequentist notions and then move to Bayesian approaches.

Knowledge of both is essential as there are many classes of problems that can only be addressed practically with Frequentist or Bayesian approaches.

- We need both frequentist and Bayesian frameworks

We build up to Bayesian Updating with frequentist concepts but we accept the role of belief and updating with new evidence.

Probability Concepts

Venn Diagrams



Venn Diagrams are a tool to communicate probability

Experiments (Sampling) (J): Establishment of conditions that produce an outcome.

Simple Event (x): A single outcome of an experiment.

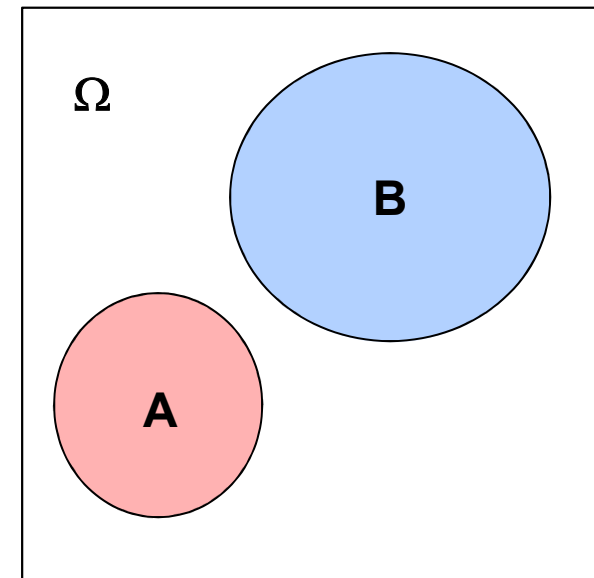
Event (A, B, ...): Collection of simple events.

Occurrence of A: A has occurred if the outcome of experiment (sampling) belongs to it.

Sample Space (Ω): Collection of all possible events.

What do we learn from a Venn diagram?

- size of regions = probability of occurrence
- overlap = probability of joint occurrence
- excellent tool to visualize marginal, joint and conditional probability.



Venn Diagram – illustration of events and relations to each other.

Probability Definitions

Venn Diagram Example



Experiments (Sampling) (J):

- Facies determined from a set of well cores (N=3,000 measures at 1 foot increments)

Sample Space (Ω):

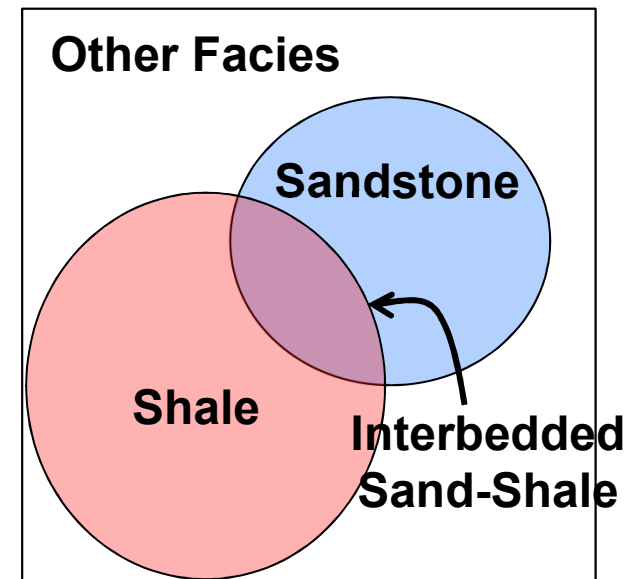
- Facies for the N=3,000 core measures

Event (A, B, ...):

- Facies = {Sandstone, Interbedded Sandstone and Shale, Shale and other facies}

Venn Diagram Tells Us About Probability:

- $\text{Prob}\{\text{Other Facies}\} > \text{Prob}\{\text{Shale}\} > \text{Prob}\{\text{Sandstone}\} > \text{Prob}\{\text{Interbedded}\} = \text{Prob}\{\text{Shale and Sandstone}\}$
- $\text{Prob}\{\text{Sandstone and Shale given Sandstone}\} < \text{Prob}\{\text{Sandstone}\}$



Venn Diagram – illustration of events and relations to each other.

Probability Definitions

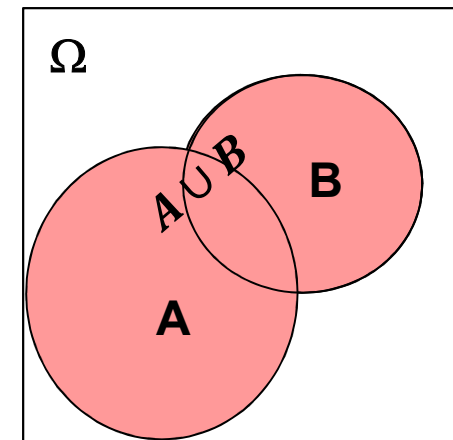
Probability Operators



Union of Events:

- All outcomes in the sample space that belong to either event A or B

$$A \cup B = \{x: x \in A \text{ or } x \in B\}$$

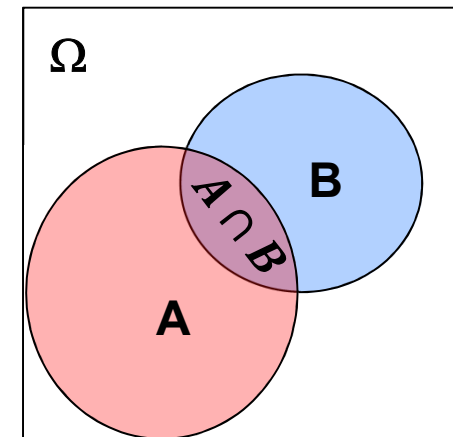


Venn Diagram – illustrating union.

Intersection of Events:

- All outcomes in the sample space that belong to both events A and B

$$A \cap B = \{x: x \in A \text{ and } x \in B\}$$



Venn Diagram – illustrating intersection.

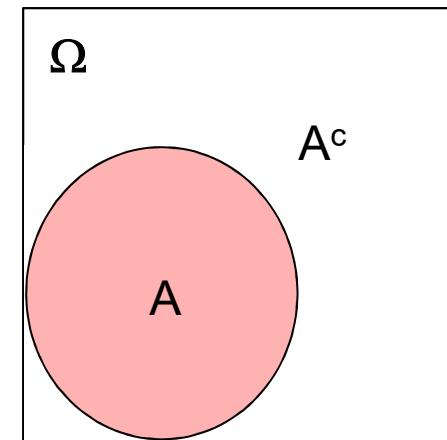
Probability Definitions

Probability Operators



Complementary Events: A^c

- All outcomes in the sample space that do not belong to A

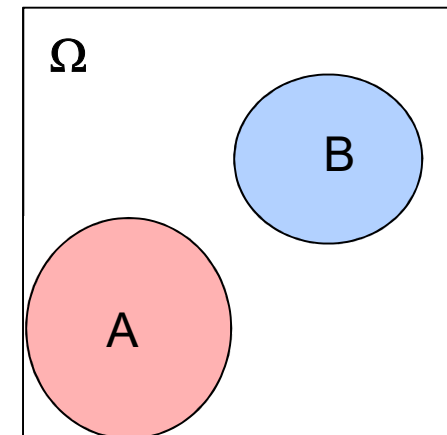


Venn Diagram – illustrating complementary events.

Mutually Exclusive Events:

- The events that do not intersect or do not have any common outcomes

$$A \cap B = \emptyset \rightarrow \text{Null Set}$$



Venn Diagram – illustrating mutually exclusive.

Probability Definitions

Probability Operators

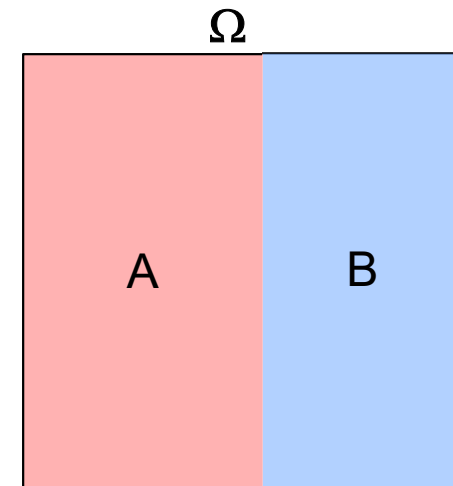


Exhaustive, Mutually Exclusive Sequence of Events:

- The sequence of events whose union is equal to the sample space

$$A_1 \cup A_2 \cup \dots \cup A_n = \Omega$$

- For example, all the samples are either A or B



Venn Diagram – illustrating exhaustive events.

Probability Definitions Now We Refine Probability



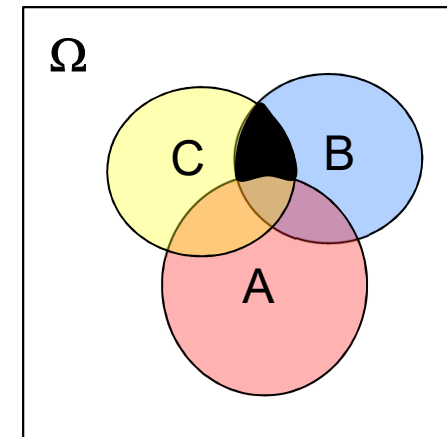
where:
$$\text{Prob}(A) = P(A) = \lim_{n \rightarrow \infty} \left(\frac{\text{Area}(A)}{\text{Area}(\Omega)} \right)$$

$\text{Area}(A)$ = area of A / total area = $P(A)$

$\text{Area}(\Omega)$ = total area / total area = probability of any possible outcome = $P(\Omega) = 1.0$

Example: Possibility of drilling a dry hole for the next well (A^c), encountering sandstone at a location (\mathbf{u}_α)(B), exceeding a rock porosity of 15% at a location (\mathbf{u}_α)(C).

$$\text{Prob}(A^c \cap B \cap C) = \text{Area}(A^c \cap B \cap C) / \text{Area}(\Omega)$$



Probability Definitions

Probability Concepts

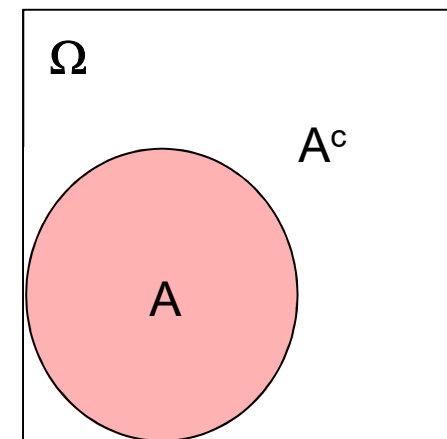


Non-negativity, Normalization:

- Fundamental probability constraints
 - Bounded $0 \leq P(A) \leq 1$
 - Closure $P(\Omega) = 1$
 - Null Sets $P(\phi) = 0$

Complimentary Events:

- Closure $P(A^c) + P(A) = 1$



Venn Diagram – illustrating complementary events.

Probability Definitions

Probability Concepts



The Addition Rule:

$$P(A \cup B) = P(A) + P(B) - P(A \cap B)$$

Must account for the intersection!

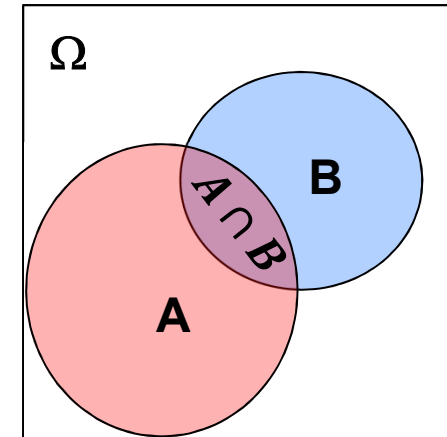
If mutually exclusive events:

$$A_i \cap A_j = \emptyset, \forall i \neq j$$

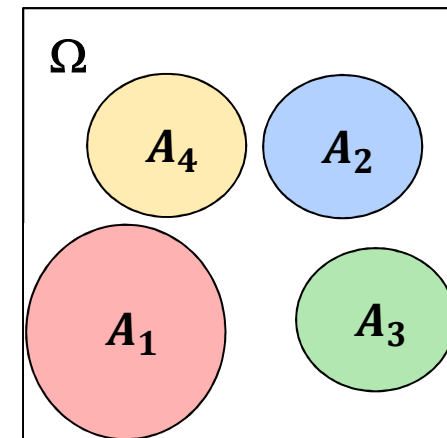
then,

$$P\left(\bigcup_{i=1}^k A_i\right) = \sum_{i=1}^k P(A_i)$$

no intersections to account for.



Venn Diagram – illustrating intersection.



Venn Diagram – illustrating no intersection.

Probability Definitions

Hands-on Addition Rule

Example



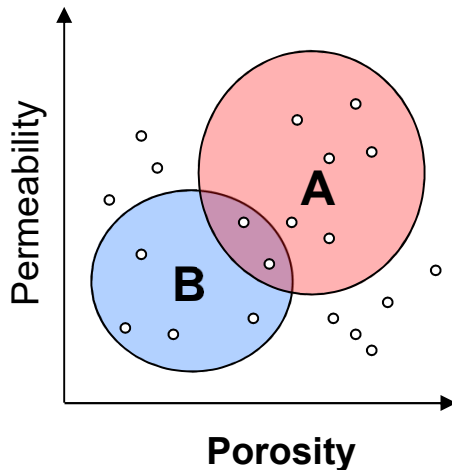
Calculate the following probabilities for event **A** and **B**: Note Event A: Sandstone and Event B: Shale

$$P(A) =$$

$$P(B) =$$

$$P(A \cap B) =$$

$$P(A \cup B) =$$

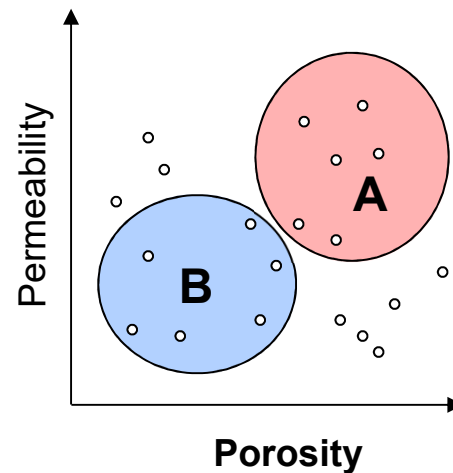


$$P(A) =$$

$$P(B) =$$

$$P(A \cap B) =$$

$$P(A \cup B) =$$



Recall: $P(A \cup B) = P(A) + P(B) - P(A \cap B)$ Hint: count points, don't calculate area.

Probability Definitions Addition Rule Example



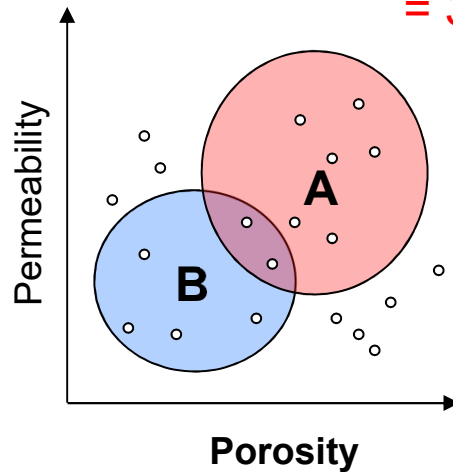
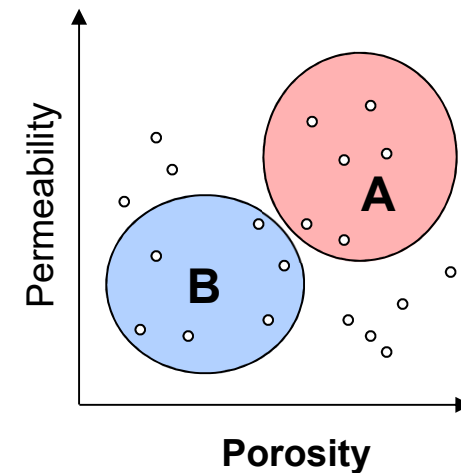
Calculate the following probabilities for event A and B: Note Event A: Sandstone and Event B: Shale

$$P(A) = \frac{6}{20} = 30\%$$

$$P(B) = \frac{6}{20} = 30\%$$

$$P(A \cap B) = \frac{0}{20} = 0\%$$

$$\begin{aligned} P(A \cup B) &= P(A) + P(B) - P(A \cap B) \\ &= 30\% + 30\% - 0\% = 60\% \end{aligned}$$



$$P(A) = \frac{8}{20} = 40\%$$

$$P(B) = \frac{6}{20} = 30\%$$

$$P(A \cap B) = \frac{2}{20} = 10\%$$

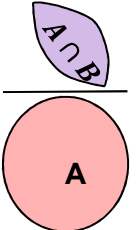
$$\begin{aligned} P(A \cup B) &= P(A) + P(B) - P(A \cap B) \\ &= 40\% + 30\% - 10\% = 60\% \end{aligned}$$

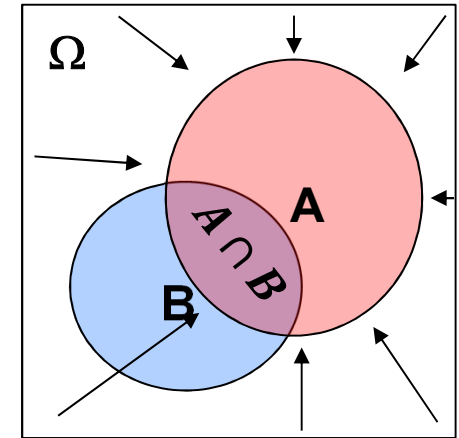
Probability Definitions

Conditional Probability



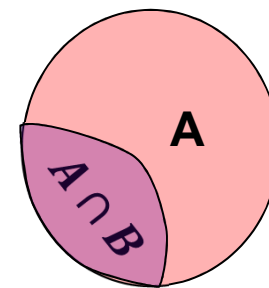
Probability of B given A occurred? $P(B | A)$

$$P(B | A) = \frac{P(A \cap B)}{P(A)}$$
A diagram illustrating the components of the conditional probability formula. The numerator is represented by a purple circular segment labeled $A \cap B$. The denominator is represented by a red circle labeled A .



Conceptually we shrink space of possible outcomes.

A occurred
so we shrink
our space to
only event A.



Probability Definitions

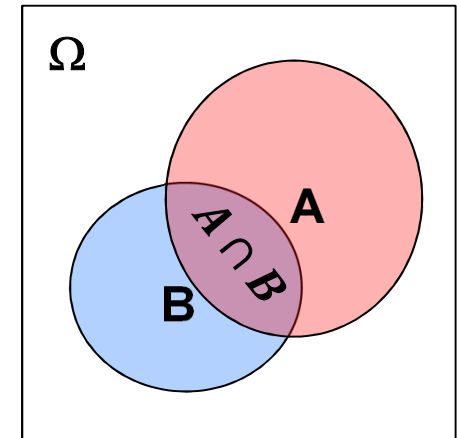
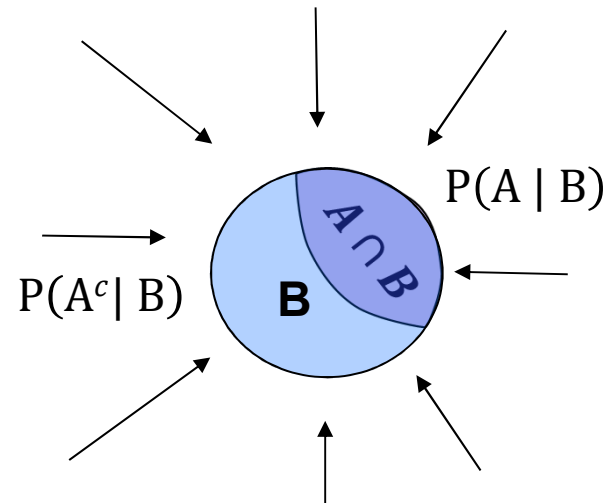
More on Conditional Probability



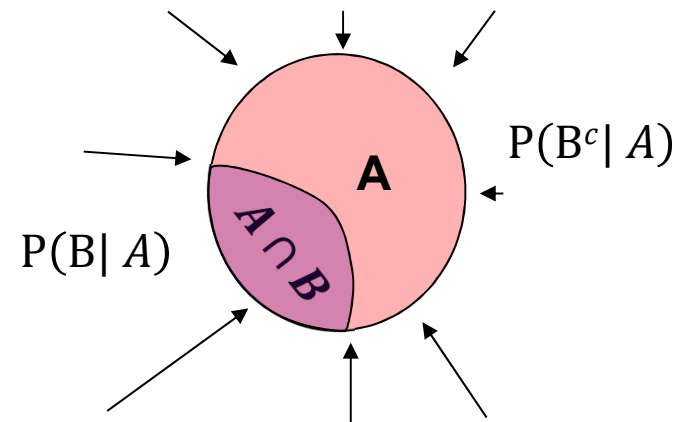
Other Relations with Conditional Probability

- Closure with conditional probabilities:

$$P(A | B) + P(A^c | B) = 1$$



$$P(B | A) + P(B^c | A) = 1$$



Probability Definitions

Conditional Probability Hands-on



Recall:

$$P(B | A) = \frac{P(A \cap B)}{P(A)}$$

For Case 1 calculate:

$$P(A | B) =$$

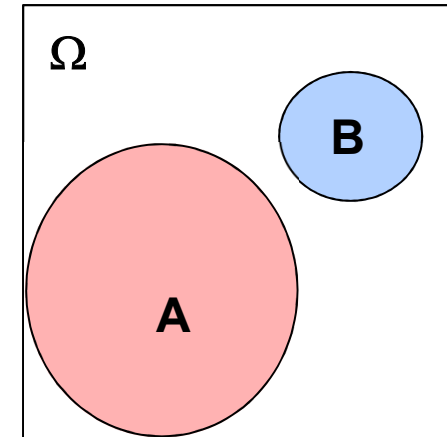
$$P(B | A) =$$

For Case 2 calculate:

$$P(A | B) =$$

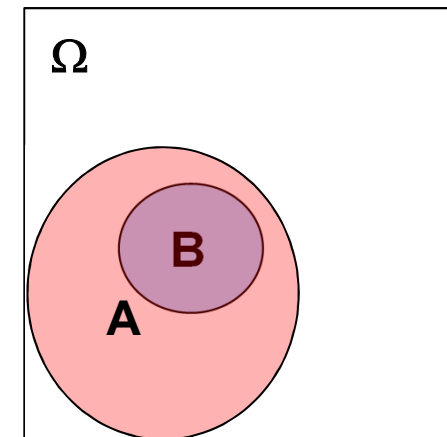
$$P(B | A) =$$

Case 1:



Venn Diagram – case 1.

Case 2:



Venn Diagram – case 2.

Probability Definitions

Conditional Probability Example



Recall:

$$P(B | A) = \frac{P(A \cap B)}{P(A)}$$

For Case 1 calculate:

$$P(A | B) = \frac{P(A \cap B)}{P(B)} = \frac{\emptyset}{P(B)} = \emptyset$$

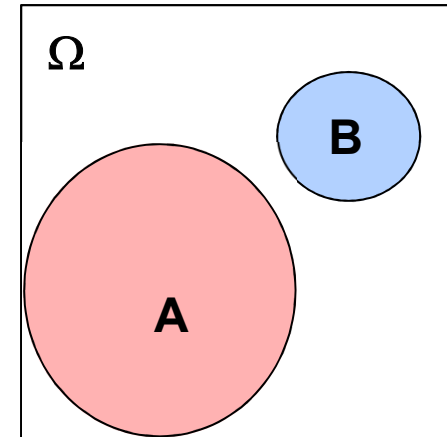
$$P(B | A) = \frac{P(A \cap B)}{P(A)} = \frac{\emptyset}{P(A)} = \emptyset$$

For Case 2 calculate:

$$P(A | B) = \frac{P(A \cap B)}{P(B)} = \frac{P(A \cap B)}{P(B)} = 1, \text{ since } P(A \cap B) = P(B)$$

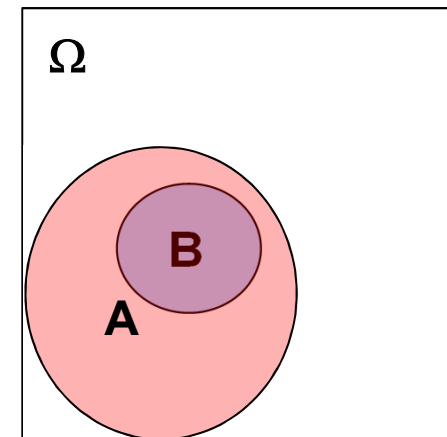
$$P(B | A) = \frac{P(A \cap B)}{P(A)} = \frac{P(B)}{P(A)}, \text{ since } P(A \cap B) = P(B)$$

Case 1:



Venn Diagram – case 1.

Case 2:



Venn Diagram – case 2.

Probability Definitions

Conditional Probability Example



Question: Calculate the following probabilities for events A and B:

Event A: Porosity > 15%

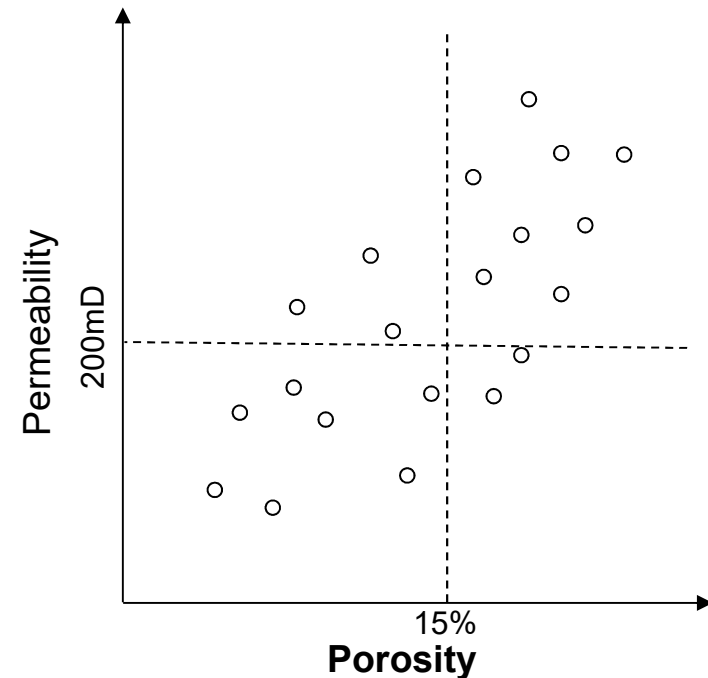
Event B: Permeability > 200 mD

For Case 1 calculate:

$P(A | B) =$

$P(B | A) =$

Bonus Question: How much information does event B tell you about event A and visa versa?



$$\text{Recall } P(B | A) = \frac{P(A \cap B)}{P(A)}$$

Probability Definitions

Conditional Probability Example



Question: Calculate the following probabilities for events A and B:

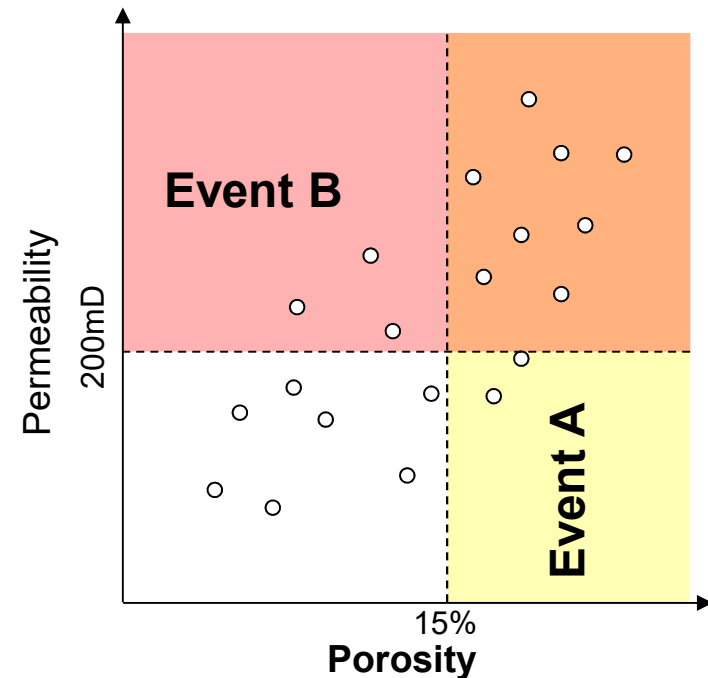
Event A: Porosity > 15%

Event B: Permeability > 200 mD

For Case 1 calculate:

$$P(A | B) = \frac{P(A \cap B)}{P(B)} = \frac{8/20}{11/20} = 8/11$$

$$P(B | A) = \frac{P(A \cap B)}{P(A)} = \frac{8/20}{10/20} = 8/10$$



Bonus Question: How much information does B tell you about A and visa versa?

$P(A) = 10/20$, $P(A|B) = 8/11$ Probability from 50% → 73%

$P(B) = 11/20$, $P(B|A) = 8/10$ Probability from 55% → 80%

We cannot work with A and B independently, they provide information about each other.

Probability Definitions

Conditional, Marginal and Joint Example



Joint Distribution:

$$f_{XY}(x, y)$$

Marginal Distribution:

$$f_X(x) = \int_{-\infty}^{+\infty} f_{XY}(x, y) dy$$

Conditional Distribution:

$$f_{X|Y}(x | y) = \frac{f_{XY}(x, y)}{f_Y(y)}$$

Table of Frequencies

Porosity (%)	25%	1	1	0	0	0
	20%	2	3	2	0	0
	15%	1	2	2	1	0
	10%	0	0	2	3	2
	5%	0	0	1	1	1
		10%	30%	50%	70%	90%
		Fraction Shale (%)				

Probability Definitions

Conditional Probability Example



Joint Distribution:

$$f_{XY}(x, y)$$

Marginal Distribution:

$$f_X(x) = \int_{-\infty}^{+\infty} f_{XY}(x, y) dy$$

Conditional Distribution:

$$f_{X|Y}(x | y) = \frac{f_{XY}(x, y)}{f_Y(y)}$$

Table of Joint Probabilities

Porosity (%)	25%	4%	4%	0	0	0
	20%	8%	12%	8%	0	0
	15%	4%	8%	8%	4%	0
	10%	0	0	8%	12%	8%
	5%	0	0	4%	4%	4%
		10%	30%	50%	70%	90%
		Fraction Shale (%)				

Probability Definitions

Conditional Probability Hands-on



Given these joint probabilities calculate the: **Table of Joint Probabilities**

Marginal Distributions:

Vsh	10%	30%	50%	70%	90%
$f_{Vsh}(v_{sh}) =$					

Porosity	5%	10%	15%	20%	25%
$f_{\varphi}(\varphi) =$					

Porosity (%)	25%	4%	4%	0	0	0
	20%	8%	12%	8%	0	0
	15%	4%	8%	8%	4%	0
	10%	0	0	8%	12%	8%
	5%	0	0	4%	4%	4%
		10%	30%	50%	70%	90%
		Fraction Shale (%)				

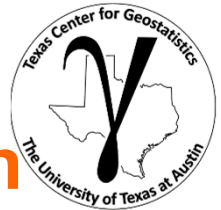
Conditional Distribution:

Vsh	10%	30%	50%	70%	90%

$$f_{Vsh|\varphi}(v_{sh} | \varphi = 15\%) =$$

Probability Definitions

Conditional Probability Hands-on



Given these joint probabilities calculate the: **Table of Joint Probabilities**

Marginal Distributions:

Vsh	10%	30%	50%	70%	90%
$f_{Vsh}(v_{sh})$	16%	24%	28%	20%	12%

Porosity	5%	10%	15%	20%	25%
$f_{\varphi}(\varphi)$	12%	28%	24%	28%	8%

Conditional Distribution:

Vsh	10%	30%	50%	70%	90%
	1/6	1/3	1/3	1/6	0

Porosity (%)	25%	4%	4%	0	0	0
20%	8%	12%	8%	0	0	
15%	4%	8%	8%	4%	0	
10%	0	0	8%	12%	8%	
5%	0	0	4%	4%	4%	
	10%	30%	50%	70%	90%	
	Fraction Shale (%)					

$$f_{Vsh|\varphi}(v_{sh} | \varphi = 15\%) = f_{Vsh,\varphi}(v_{sh}, \varphi = 15\%) / f_{\varphi}(\varphi = 15\%)$$

Frequentist Hands-on Joint, Conditional and Marginal



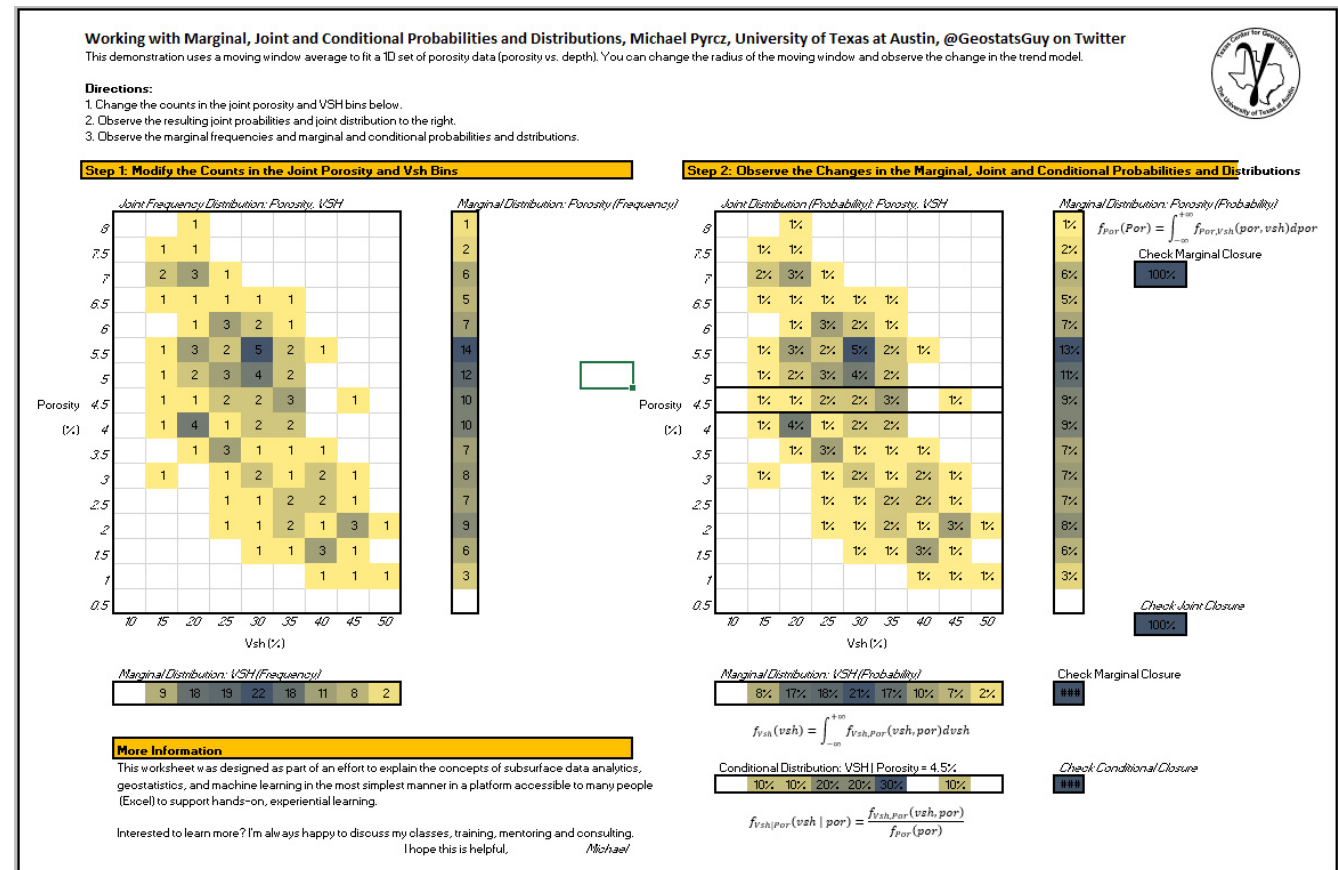
Bayesian Inversion, Value of Information:

Things to try:

1. Add a spike
(large frequency) in
an outlier location.

2. Systematically
increase the
frequencies for the
low porosity, high
vsh region.

Observe the impact
on joint, marginal
and conditional
probabilities and
distributions.



The file is at: <https://git.io/fhA9X>. The file is Marginal_Joint_Conditional.xlsx

Multivariate Modeling: Probability and Statistics



Lecture outline . . .

- Bayesian Concepts

Introduction

Modeling Prerequisites

Fundamental Concepts

Probability

Sparse Data Workflows

Spatial Estimation

Spatial Uncertainty

Multivariate, Spatial

Novel Workflows

Conclusions

Instructor: Michael Pyrcz, the University of Texas at Austin

Probability Definitions

Bayesian Statistics



Product Rule:

$$P(B \cap A) = P(A|B) P(B)$$

$$P(A \cap B) = P(B|A) P(A)$$

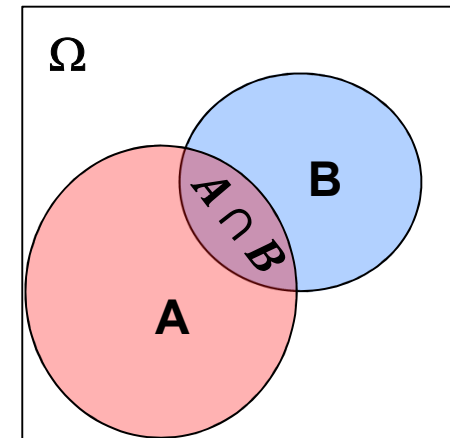
It follows that:

$$P(B \cap A) = P(A \cap B)$$

Therefore we combine two product rules, substitute:

$$P(A|B) P(B) = P(B|A) P(A)$$

We get Bayes' Theorem!



Venn Diagram – illustrating intersection.

Probability Definitions Bayesian Statistics



Bayesian Statistical Approaches:

- probabilities based on a degree of belief (expert experience) in an event
- updated as new information is available
- solve probability problems that we cannot use simple frequencies

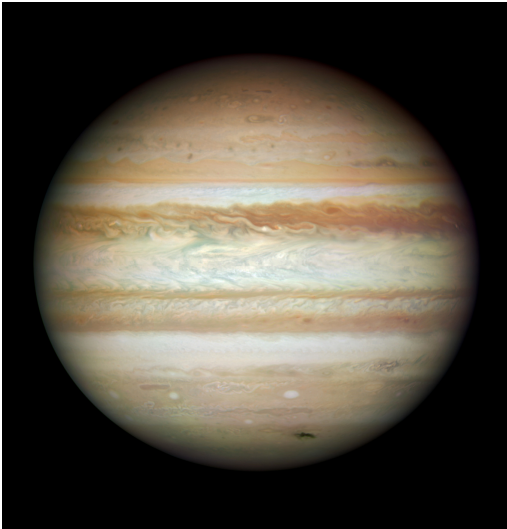


Image from <https://www.wikimedia.org>

From Sivia (1996), What is the mass of Jupiter?

Frequentist: measure the mass of enough Jupiter-like planets from multiple solar systems.

Bayesian: form a prior probability and update with any available information.

Probability Definitions

Bayesian Statistics



Bayes' Theorem:

Make an easy adjustment and we get the popular form.

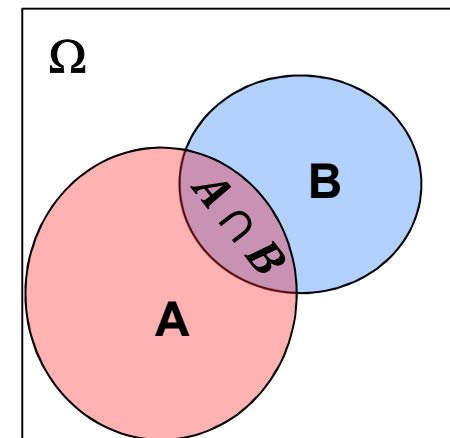
$$P(A|B) = \frac{P(B|A) P(A)}{P(B)}$$

Observations:

1. We are able to get $P(A | B)$ from $P(B | A)$ as you will see this often comes in handy.
2. Each term is known as:

$$\text{Posterior} = \frac{\text{Likelihood} \times \text{Prior}}{\text{Evidence}}$$

3. Prior should have no information from likelihood.
4. Evidence term is usually just a standardization to ensure closure.



Venn Diagram – illustrating intersection.

Note: we got to Bayes' Theorem by fundamental frequentist approaches.

Probability Definitions

Bayesian Statistics



Bayes' Theorem:

A common example of Bayes' Theorem for modeling the subsurface.

Model Updating with a New Data Source:

$$\begin{array}{ccccc} \text{Posterior} & & \text{Likelihood} & & \text{Prior} \\ \swarrow & & \swarrow & & \swarrow \\ P(\text{Model} \mid \text{New Data}) & = & P(\text{New Data} \mid \text{Model}) & P(\text{Model}) \\ & & \hline & & P(\text{New Data}) \\ & & \uparrow \\ & & \text{Evidence} \end{array}$$

Probability Definitions

Bayesian Statistics



Bayes' Theorem:

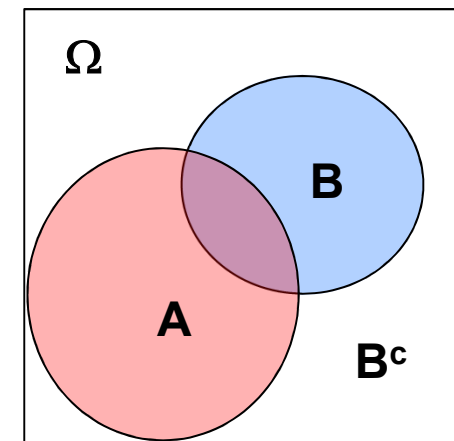
Alternative form, symmetry:

$$P(A|B) = \frac{P(B|A) P(A)}{P(B)} \quad P(B|A) = \frac{P(A|B) P(B)}{P(A)}$$

Alternative form to calculate evidence term:

$$\text{Given: } P(A) = \underbrace{P(A|B) P(B)}_{P(A \text{ and } B)} + \underbrace{P(A|B^c) P(B^c)}_{P(A \text{ and } B^c)}$$

$$P(B|A) = \frac{P(A|B) P(B)}{P(A)} = \frac{P(A|B) P(B)}{P(A|B) P(B) + P(A|B^c) P(B^c)}$$



Venn Diagram – illustrating intersection.

Probability Definitions Bayesian Statistics



Bayesian approaches allow you to solve statistical problems that are not possible otherwise. Consider:

Event A	Event B
You have a disease	You test positive for the disease
There is fault compartmentalization	Geologist says there's a fault
Low permeability of a sample	The laboratory measure is low
A valve will fail	X-ray test is positive
You drill a dry well	Seismic AVO response looks poor

In all of these cases you need to calculate:

$$P\left(\begin{array}{c} \text{Something is} \\ \text{Happening} \end{array} \middle| \begin{array}{c} \text{Looks like} \\ \text{its happening} \end{array}\right) = \frac{P\left(\begin{array}{c} \text{Looks like} \\ \text{its happening} \end{array} \middle| \begin{array}{c} \text{Something is} \\ \text{Happening} \end{array}\right) P\left(\begin{array}{c} \text{Something is} \\ \text{Happening} \end{array}\right)}{P\left(\begin{array}{c} \text{Looks like} \\ \text{its happening} \end{array}\right)}$$

Probability Definitions

Bayesian Statistics Example



Bayesian approaches allow you to solve statistical problems that are not possible otherwise. Consider:

Correct Detection Rate x Occurrence Rate

$$P(\text{Something is Happening} \mid \text{Looks like its happening}) = \frac{P(\text{Looks like its happening} \mid \text{Something is Happening}) P(\text{Something is Happening})}{P(\text{Looks like its happening})}$$

All Detection Rate (included false positives)

Often these terms are much easier to collect:

$$P(B|A) = \frac{P(A|B) P(B)}{P(A)} = \frac{P(A|B) P(B)}{P(A|B) P(B) + P(A|B^c) P(B^c)}$$

Let's try this out next.

Probability Definitions

Bayesian Statistics Hands-on



Example: Prior information at a site suggests a channel feature exists at a given location with probability of 60%. We decide to further investigate this information using seismic data.

Seismic survey can show a feature

- is present with 90% probability if it really is present
- is not present with a probability 70% if it really is not

A=The feature is present

B =Seismic shows the feature

A^c =The feature not present

B^c =Seismic does not show the feature

$$P(A) = 0.6$$

$$P(B|A) = 0.9$$

$$P(B^c|A^c) = 0.7$$

$$P(A^c) =$$

$$P(B|A^c) =$$

Will seismic information be useful?

Recall:

$$P(A|B) = \frac{P(B|A) P(A)}{P(B|A) P(A) + P(B|A^c) P(A^c)}$$

Probability Definitions

Bayesian Statistics Example



Example: Prior information at a site suggests a channel feature exists at a given location with probability of 60%. We decide to further investigate this information using seismic data.

Seismic survey can show a feature

- is present with 90% probability if it really is present
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A=The feature is present

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A^c=The feature not present

B^c=Seismic does not show the feature

$$P(A) = 0.6$$

$$P(B|A) = 0.9$$

$$P(B^c|A^c) = 0.7$$

$$P(A^c) = 1 - P(A) = 0.4$$

$$P(B|A^c) = 1 - P(B^c|A^c) = 0.3$$

True Positive

$$P(A|B) = \frac{P(B|A) P(A)}{P(B)} = \frac{P(B|A) P(A)}{P(B|A) P(A) + P(B|A^c) P(A^c)} = \frac{(0.9)(0.6)}{(0.9)(0.6) + (0.3)(0.4)} = 82\%$$

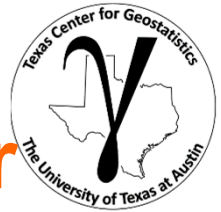
True Positive

False Positive

Will seismic information be useful?

P(A) = 60% and now P(A|B) = 82%

Bayesian Hands-on Actual Happening Given Indicator



Bayesian Inversion, Value of Information:

Things to try:

1. False Positives:
Drop the false
positive rate form
0.01% to 0.001%?

2. Rare Events:
What if probability
of occurrence
increased from
0.001% to 0.01%?

Observe the impact
on the posterior,
updated probability.

Bayesian Updating V2.0 - Inverting Conditional Probabilities

Michael Pyrcz, the University of Texas at Austin, Geostatistical Reservoir Modeling Class, @GeostatsGuy

With **Bayesian Updating** we can invert conditional probabilities (e.g. $P(A|B)$ → $P(B|A)$). This is very powerful, because often we can use an easier to calculate conditional probability to assess a more difficult to calculate, but more important conditional probability. For example, your doctor gives you a medical test that comes back positive for a disease. It would be important to know what is the probability that you have the disease given the positive test. This is a general category of problems that may be generalized as follows. **You have an positive indicator that something is happening, is the thing actually happening?** E.g. seismic interpretation indicates a fault, x-ray analysis indicates a crack etc.

$$P(\text{Actually Happening} | \text{Positive Indicator}) = \frac{P(\text{Positive Indicator} | \text{Actually Happening}) \times P(\text{Actually Happening})}{P(\text{Positive Indicator})}$$

It turns out that the denominator (Evidence Term) is often hard to calculate so we may use probability logic to calculate it as follows:

$$P(\text{Positive Indicator}) = \underbrace{P(\text{Positive Indicator} | \text{Actually Happening}) \times P(\text{Actually Happening})}_{\text{True Positive}} + \underbrace{P(\text{Positive Indicator} | \text{NOT Actually Happening}) \times P(\text{NOT Actually Happening})}_{\text{False Positive}}$$

Returning to the doctor's office. Your doctor has just informed you that you have tested positive (Positive Indicator) for a disease. Don't panic, resort to probability math. What information do you have to work with?

Instructions:
Adjust the yellow probabilities (that would likely be available) and observe the resulting probability of having the disease given a positive test. Note intermediate calculated probabilities are in blue cells.

Probability of getting this disease	$P(\text{Actually Happening}) =$	0.0001%
By closure the compliment, probability of not getting this disease	$P(\text{Not Actually Happening}) = 1 - P(\text{Actually Happening})$	99.9999%
Probability of detecting the disease if you have it. This is the sensitivity of the test.	$P(\text{Positive Indicator} \text{Actually Happening}) =$	99.0000%
Probability of detecting the disease if you don't have it. This is the false positive rate of the test.	$P(\text{Positive Indicator} \text{NOT Actually Happening}) =$	0.0100%

$P(\text{Positive Indicator}) = P(\text{Positive Indicator} | \text{Actually Happening}) \times P(\text{Actually Happening}) + P(\text{Positive Indicator} | \text{NOT Actually Happening}) \times P(\text{NOT Actually Happening})$

$P(\text{Positive Indicator}) = 99.0000\% \times 0.0001\% + 0.0100\% \times 99.9999\% =$ $P(\text{Positive Indicator}) = 0.0100\%$

We now have everything we need to solve for the probability you have the disease given a positive test.

$$P(\text{Actually Happening} | \text{Positive Indicator}) = \frac{P(\text{Positive Indicator} | \text{Actually Happening}) \times P(\text{Actually Happening})}{P(\text{Positive Indicator})}$$

$$= \frac{99.0000\% \times 0.0001\%}{0.0100\%} =$$
 $P(\text{Actually Happening} | \text{Positive Indicator}) = 9.9000\%$

What should you observe?

Why is the $P(\text{Actually Happening} | \text{Positive Indicator})$ so low? Check out the following joint probabilities.

The probability of experiencing a false positive is $P(\text{Not Actually Happening and Positive Indicator}) =$	0.0099%	10.10	Ratio of Probability of False Positive / Probability of True Positive
Compare this to the true positive $P(\text{Actually Happening and Positive Indicator}) =$	0.0000%		

The combination of a very unlikely event (rare disease) and a significant false positive rate results in 10.1x greater probability of a false positive than a true positive with this test. The problem is that given an apparently low false positive rate and a very high true positive rate most people would assume that the detected condition is actually happening, when in fact it is unlikely!

For more (geo)statistical demos check out [github/GeostatsGuy](https://github.com/GeostatsGuy) and twitter @GeostatsGuy.

The file is at: <https://git.io/fjexw>. The file is BayesianUpdatingInversion_Demo.xlsx

Probability Definitions

Bayesian Statistics Example



What did we learn?

- combination of rare events and high false positive rates can make the conditional probability of an event given an indication of the event low!
- we can calculate the prior compare to the posterior and use this to assess the value of information of a test!

$$P(\text{Something is Happening} \mid \text{Looks like its happening}) = \frac{P(\text{Looks like its happening} \mid \text{Something is Happening}) P(\text{Something is Happening})}{P(\text{Looks like its happening})}$$

Probability Definitions

Bayesian Statistics Example



Machine 1

$P(X_1)$, **20% Production**
 $P(Y|X_1)$, **5% Error Rate**

Machine 2

$P(X_2)$, **30% Production**
 $P(Y|X_2)$, **3% Error Rate**

Machine 3

$P(X_3)$, **50% Production**
 $P(Y|X_3)$, **1% Error Rate**

Example: Probability of an error in the product, $P(Y)$?

Hint: Calculate Marginal $P(Y) = \sum_{i=1}^n P(Y, X_i) = \sum_{i=1}^n P(Y|X_i)P(X_i)$

Probability Definitions

Bayesian Statistics Example



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 $P(Y|X_2)$, **3% Error Rate**

Machine 3

$P(X_3)$, **50% Production**
 $P(Y|X_3)$, **1% Error Rate**

Example: Probability of an error in the product, $P(Y)$?

$$P(Y) = \sum_{i=1}^n P(Y, X_i) = \sum_{i=1}^n P(Y|X_i)P(X_i)$$

$$P(Y) = P(Y|X_1)P(X_1) + P(Y|X_2)P(X_2) + P(Y|X_3)P(X_3)$$

$$P(Y) = (0.20)(0.05) + (0.30)(0.03) + (0.50)(0.01)$$

$$P(Y) = 0.024 = 2.4\%$$

Probability Definitions

Bayesian Statistics Example



Machine 1

$P(X_1)$, **20% Production**
 $P(Y|X_1)$, **5% Error Rate**

Machine 2

$P(X_2)$, **30% Production**
 $P(Y|X_2)$, **3% Error Rate**

Machine 3

$P(X_3)$, **50% Production**
 $P(Y|X_3)$, **1% Error Rate**

Example: Probability product came each machine given an error is observed, $P(X_i|Y)$?

Note: From the previous slide: $P(Y) = 0.024 = 2.4\%$

Hint calculate the conditional: $P(X_i|Y) = \frac{P(Y|X_i)P(X_i)}{P(Y)}$

Probability Definitions

Bayesian Statistics Example



Machine 1

$P(X_1)$, **20% Production**
 $P(Y|X_1)$, **5% Error Rate**

Machine 2

$P(X_2)$, **30% Production**
 $P(Y|X_2)$, **3% Error Rate**

Machine 3

$P(X_3)$, **50% Production**
 $P(Y|X_3)$, **1% Error Rate**

Example: Probability product came each machine given an error is observed, $P(X_i|Y)$?

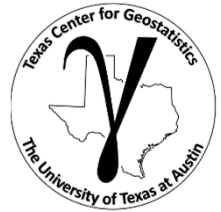
$$P(X_i|Y) = \frac{P(Y|X_i)P(X_i)}{P(Y)}$$

$$P(X_1|Y) = \frac{(0.05)(0.2)}{(0.024)} = 0.41$$

$$P(X_3|Y) = \frac{(0.01)(0.5)}{(0.024)} = 0.21$$

$$P(X_2|Y) = \frac{(0.03)(0.3)}{(0.024)} = 0.38$$

Bayesian Hands-on Updating Exploration Success



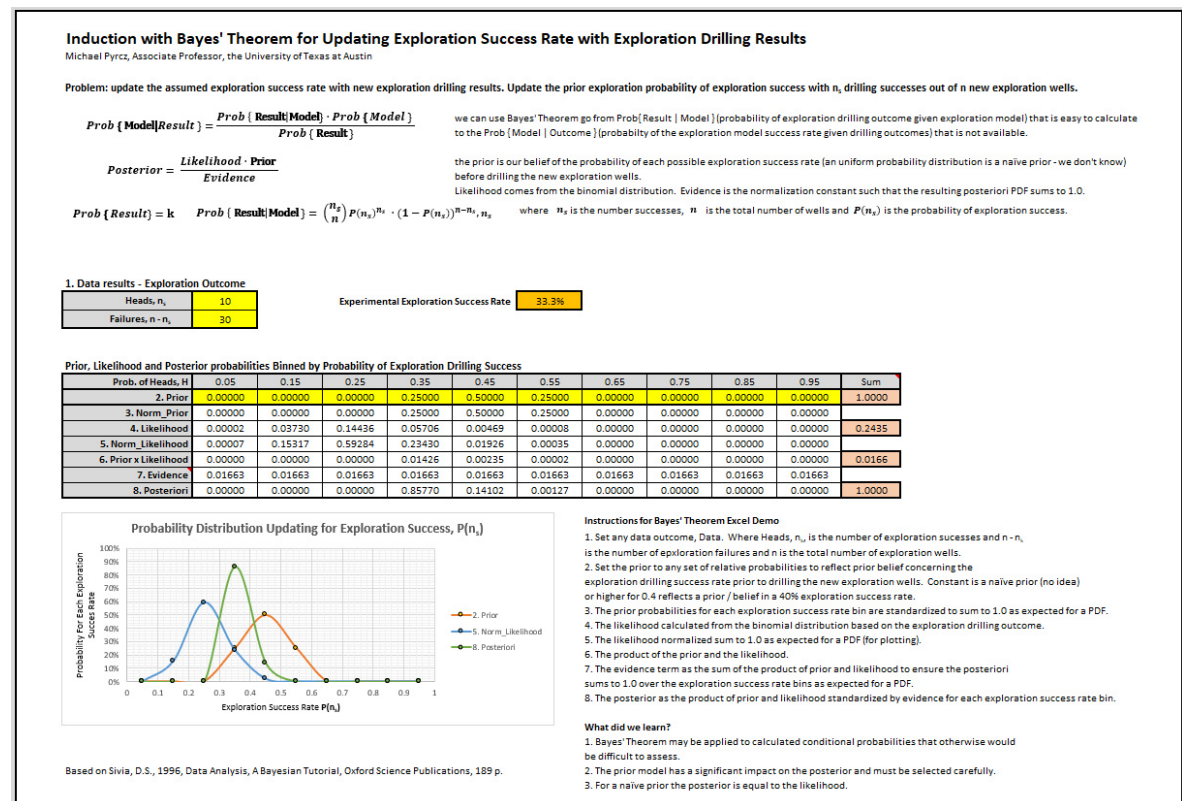
Exploration Bayesian Updating:

Things to try:

1. Change the Recent Drilling Success from 33% to 10% or 80%.

2. Change the Prior from mode of 45% to 10% or 50%.

Observe the impact on the posterior, updated probability.



The file is at: <https://git.io/fjexw>. The file is Bayesian_Exploration_Demo.xlsx.

Bayesian Updating with Gaussian Distributions



There is an analytical solution for working with Gaussian distributions for Bayesian updating (Sivia, 1996).

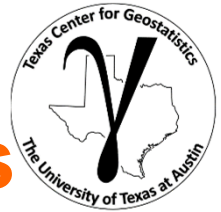
- Calculate the mean of the posterior from the prior and likelihood mean and variance.

$$\bar{x}_{\text{updated}} = \frac{\bar{x}_{\text{likelihood}}(\mathbf{u}) \cdot \sigma_{\text{prior}}^2(\mathbf{u}) + \bar{x}_{\text{prior}}(\mathbf{u}) \cdot \sigma_{\text{likelihood}}^2(\mathbf{u})}{[1 - \sigma_{\text{likelihood}}^2(\mathbf{u})][\sigma_{\text{prior}}^2(\mathbf{u}) - 1] + 1}$$

- Calculate the variance of the posterior from the prior and likelihood variances (no means, homoscedastic!).

$$\sigma_{\text{updated}}^2(\mathbf{u}) = \frac{\sigma_{\text{prior}}^2(\mathbf{u}) \sigma_{\text{likelihood}}^2(\mathbf{u})}{[1 - \sigma_{\text{likelihood}}^2(\mathbf{u})][\sigma_{\text{prior}}^2(\mathbf{u}) - 1] + 1}$$

Bayesian Hands-on Updating with Gaussian Distributions



Exploration Bayesian Updating with Gaussian Assumption:

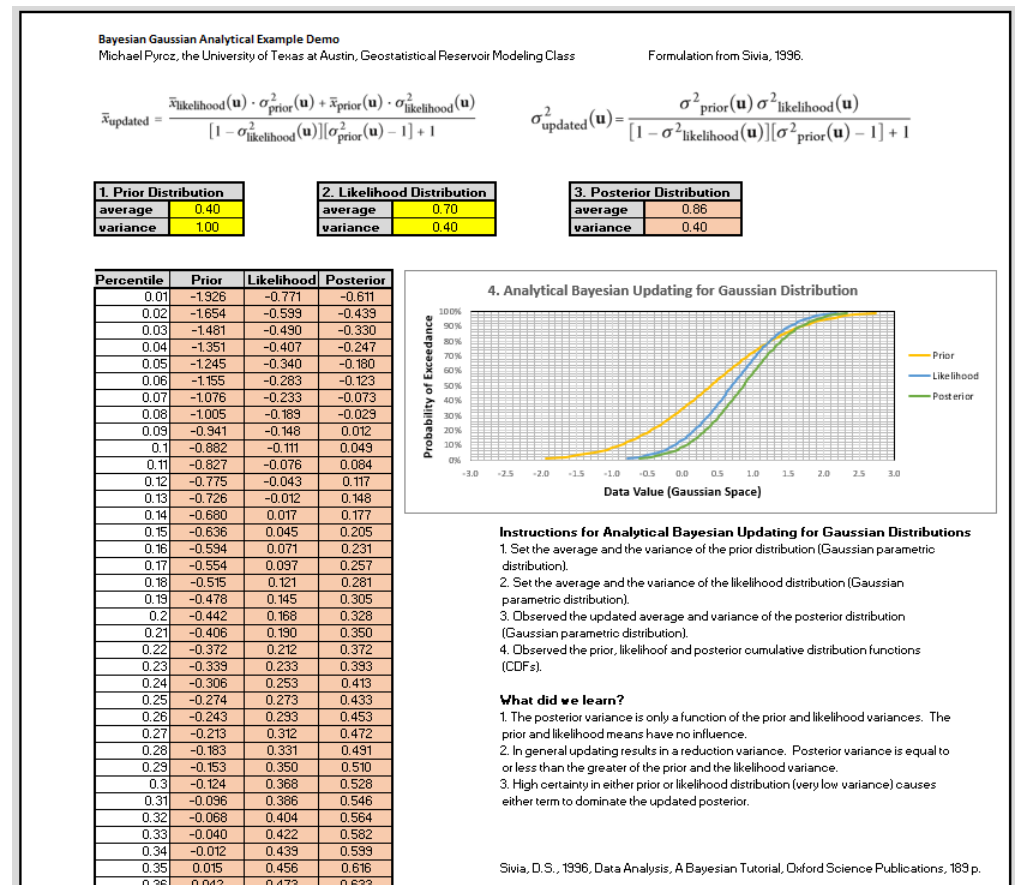
Things to try:

1. Use a large variance for the prior.

2. Make the prior and likelihood distributions the same.

3. Make the prior low, and the likelihood even lower!

Observe the impact on the posterior, updated probability.



The file is at: <https://git.io/fNg4F>. The file is Bayesian_Exploration_Demo.xlsx.

Probability New Tools



Topic	Application to Subsurface Modeling
Frequentist Concepts	<p>When sufficient observations are available use (long-run) counting to access the required probabilities.</p> <p><i>Predict reservoir average porosity by pooling analogous fields.</i></p>
Bayesian Concepts Inversion of Conditionals	<p>Calculate a difficult to access conditional probability from an accessible one. Probability of event given indicator from probability indicator given event.</p> <p><i>Calculate probability of sealing fault given indicator of sealing fault.</i></p>
Bayesian Concepts Bayesian Updating	<p>Update prior belief with new information.</p> <p><i>Calculate probability of exploration success rate given prior model and outcomes from exploration drilling program.</i></p>

Multivariate Modeling: Probability and Statistics



Lecture outline . . .

- **Probability in Subsurface Modeling**
- **Frequentist Concepts**
- **Bayesian Concepts**

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