



 **FIELDWOOD ENERGY**

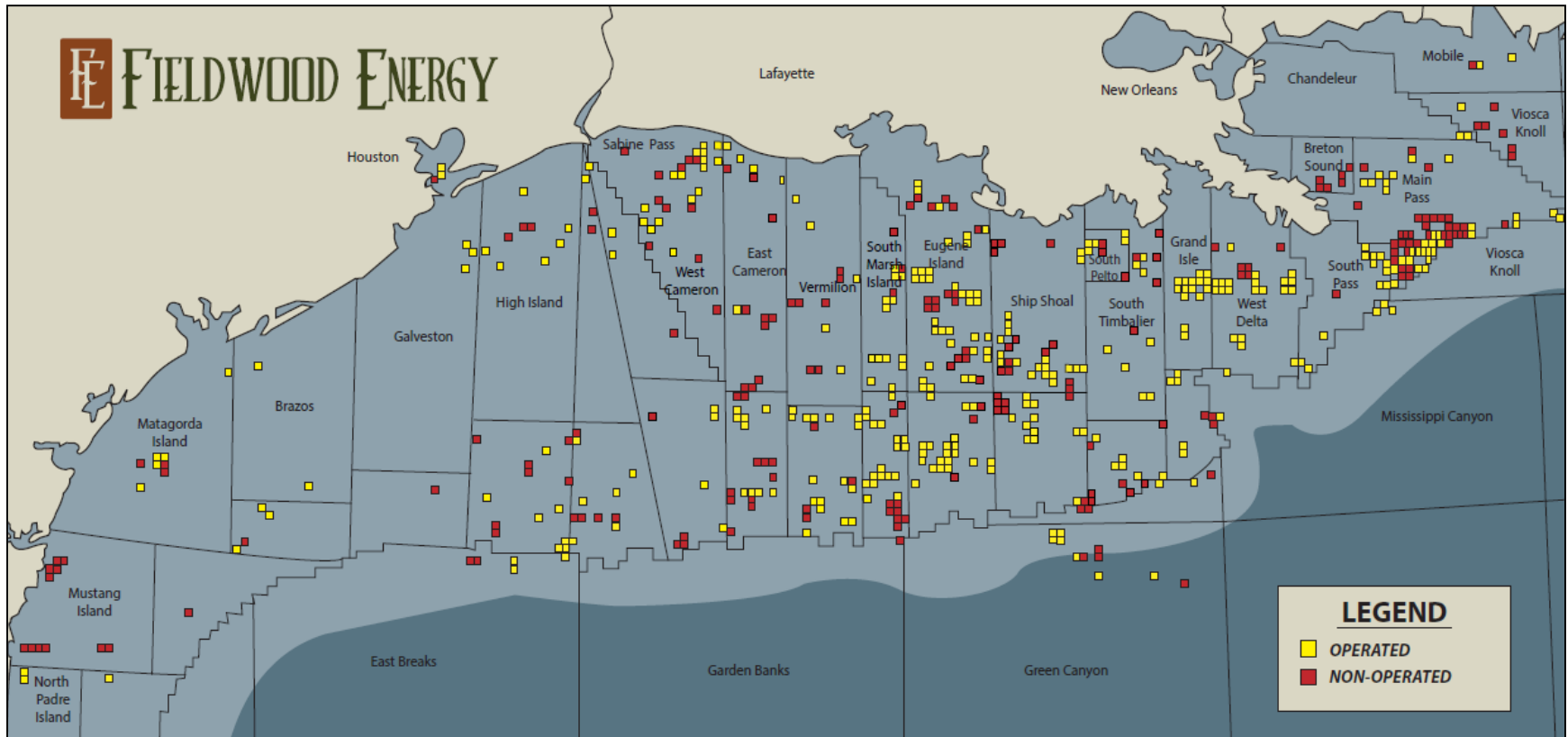
***NOIA Annual Meeting***

**April 5, 2017**

# Introduction to Fieldwood

- Fieldwood is the largest operator on the Gulf of Mexico Shelf
  - >300 Mmboe of 2P reserves
  - ~700 employed between Houston and Lafayette offices
  - Over 3,000 offshore contract personnel on a daily basis
  - Own an interest in ~500 leases covering >2 million gross acres
- Portfolio company of New York-based private equity firm Riverstone Holdings, LLC
- Fieldwood is second partnership between Riverstone and Fieldwood management
  - Successfully built Dynamic Offshore Resources, LLC into one of the largest GOM Shelf companies prior to sale in 2012 to SandRidge Energy, Inc.
- Invested >\$5 billion in acquisitions and development over the past 3 years
- Fieldwood intends to be active driller and acquirer with a long-term commitment to GOM
  - Actively pursuing additional strategic acquisition and exploration opportunities

# Fieldwood Scope of Operations



Fieldwood Overview	
Net Production	~85,000 boepd
Active Operated Platforms	~400
GOM Blocks	~500
Employees	~700

Current Activity	
Current Recompletion Operations	7
P&A Spreads	6
Offshore Personnel	3,100

# Fieldwood Enters Mexico

- Participated in auctions by bidding on 3 blocks in Round 1, Call 2 on September 30, 2015
- Successful high bidder on Area 4 comprising Ichalkil and Pokoch fields
  - Located ~60 miles offshore in Bay of Campeche; ~100-150' water depths
- 50/50 partners with Petrobal, a subsidiary of large Mexican conglomerate Grupo Bal
- Executed Production Sharing Contract on January 7, 2016
- Submitted Appraisal Plan in Apr'16 to regulators outlining operations for '16-'17
  - Drilling first of two appraisal wells for 2017
- Development Period (25-30 years) to follow Appraisal Period pending results
  - Full field development expected to be 15-25 wells
- Highly encouraged by technical evaluation conducted to date

# Fieldwood Mexico Key PSC Terms

- Key PSC terms
  - Full cost recovery of all eligible expenses (CapEx, OpEx, overhead) upon first revenue



- FWE/Petrobal receive 26% profit share
  - Subject to downward adjustment once IRR exceeds 25%
- Contract provides for initial Appraisal Period followed by optional Development Period
  - Appraisal Period requires drilling and testing of two wells in '17
  - Depending on results, FWE/Petrobal may elect to enter Development Period
    - Full field development likely contemplates 15-25 wells



# Initial Year in Review

- Submitted Appraisal Plan Budget and Work Program
  - Created many of the forms and templates from scratch
  - Included details for appraisal activities, well/drilling information, work programs, etc.
- Established protocol for working with local partner, Petrobal
- Completed Social Impact Study and Environmental Impact Analysis
- Conducted seismic reprocessing, which combined and improved existing CNH data
- Completed HSE programs (SASSA) and received approval from ASEA
- Established Ciudad del Carmen as base of operations
- Finalized plans and technical analysis for 2017 appraisal drilling operations
- Signed rig contract with Diamond Offshore affiliate and established agreements with >60 vendors and service providers
  - Several contracts required public tender process

# Current Activity Update

- Established oil spill response plan
  - Conducted drill with all parties, including outside consultants
- Spud first well in early Feb'17
  - Recently completed third casing point and drilling
  - First well scheduled to reach TD in summer 2017
- Completed public tender for second rig and contract negotiations underway
- Established plan with CNH to deliver of hydrocarbons and process contaminated liquids recovered during Appraisal Period
  - No direct infrastructure; contract with FPSO vessel
  - Ongoing discussions with Pemex to take hydrocarbons and dispose of processed liquids in existing disposal well



# Process Observations to Date

- Strength of the new legal and contractual framework has been put to the test
  - Time periods set forth for approvals, work programs and permits
  - Tension between what is good for the project vs. contractual formalities
  - Insurance and guarantee requirements (deviate from US standards)
- Pemex is learning how to operate along with other operators
  - Improve coordination on logistics operations and plans
  - Guidelines released for unitization but specific aspects still uncertain
  - CNH held one auction for a Pemex deepwater farmout and has started the process for shallow water Pemex farmouts
    - Substantial capital outlay and large carry for Pemex
- Trustworthy and engaged local partner has been very helpful
  - Local knowledge and reputation of Petrobal has been a key to success

# Positive Surprises

- Process has been very transparent
- CNH has been supportive and eager to make progress on Round 1 and 2 projects
- Government is working with industry to improve and streamline processes
  - Worked with industry to develop guidelines and changes to the 5-year plan
  - Industry input on when bids happen and allow the industry to nominate blocks
- Quality and scope of the oilfield service sector is more than adequate
- Availability of equipment and people has been better than expected
- Positive attitude of local people wanting the project to succeed

# Challenges Discovered

- Complex regulatory scheme is challenging and continuously evolving
- Complicated permitting process
  - Lack of initial guidelines delayed overall process
  - Several iterations with government over presentation and substance
- Detailed documentation and processes required for US FCPA compliance
- More elaborate HSE documentation compared to US operations
  - Substantially more detail and reports required to demonstrate compliance
  - Need for automation and simplification in reporting requirements
- Significant Customs restrictions on moving equipment and supplies around Mexico
- Business culture shift from single, national operator to new procedures implemented by new entrants

# Numerous Regulatory Agencies



Fiscal Terms



Taxes



Navigation



Rights of Way



Accounting



Emergency Response



National Content

SECRETARÍA DE ECONOMÍA



Risk Management  
Insurance  
HSE

Exploration and  
Production Activities



SECRETARÍA DE  
MEDIO AMBIENTE  
Y RECURSOS NATURALES



ASEA  
AGENCIA DE SEGURIDAD,  
ENERGÍA Y AMBIENTE

Transportation Tariffs



Comisión Nacional  
de Hidrocarburos

# Open Issues

- Comply with national content requirement (17% initially and rising to 35%)
  - Limited experience from local vendors in documentation
  - Incorrect certificate from the vendor is the operator's problem
- Confidence that cost recovery will be approved for all expenditures
  - 60% of revenue will be allocated as contractor cost recovery
- Obtain access to existing infrastructure for production
- Implement Social Management Program
  - Coordination with local government and communities
- Formulate Development Plan after successful appraisal wells

# 2017 Goals

- Drill appraisal wells within budget and outline approved by CNH
- Implement US GOM drilling practices
  - Improve historical drill time versus downtime and increase penetration rates
- Perform extended production tests (10-14 days)
  - Demonstrate sustained productive drainage area and reservoir characteristics
  - Flow production to floating FPSO vessel
- Delineate and derisk the Jurassic and Cretaceous potential
- Gather necessary knowledge and analysis for Development Plan
- Develop and improve operational practices in the Mexican Gulf
- Evaluate Round 2.1 blocks and Pemex farmout opportunities

# First Rig Operated by US Company in Mexico in 79 Years

