

Face-to-face with CEO Mike Wiley 'Heritage has been operationally profitable'

Heritage Petroleum, the company formed by Government to operate what was once Petrotrin's exploration and production assets, has been profitable in the five months it has been operating.

In an interview with Guardian Media Limited's Lead Editor - Business, Curtis Williams, the company's recently appointed Chief Executive Officer Mike Wiley reveals that there is significant interest in partnering with the company from large and small companies operating in T&T.

Q : Has Heritage Petroleum submitted its production figures to the Ministry of Energy for the months of January to March 2019? If not, why not?

A : Yes, we've submitted production figures for January, February and March 2019.

During the first six months of the operation of Heritage Petroleum, has its production declined? If so by how much?

Heritage has actually only been operating for five months; we began operations on December 1, 2018, and our average monthly production has steadily increased since December 2018/January 2019 lows.

What is to be done to return production to the level it was at, just prior to the closure of Petrotrin?

Petrotrin's production figures were depressed prior to closure in November 2018; the company had not made any significant investment in E&P during the course of the year.

We are in the process of commencing work-over activity to offset the natural decline and the many mechanical failures that had a negative impact on production during the final months of Petrotrin.

Heritage currently has 12 work-over rigs running on our land assets, and we plan to reach a total of 23 rigs. Our offshore work-over programmes will begin within the next couple months. Additionally, repairs are underway to damaged production equipment caused by the August 2018 earthquake.

Can we expect a significant increase in activity on land during the rest of the year?

Yes, as I said before, we expect an increase in work-over activity with some land-based drilling. Additional activity will consist primarily of asset integrity and



Mike Wiley

Contractors replace the Petrotrin sign and flags with those bearing the logo of Heritage Petroleum at the company's administration building in Santa Flora, last December. PICTURE RISHI RAGOONATH

systems improvements, as we work to improve the reliability of aged assets. We're also addressing asset security issues to eliminate localised theft that disrupts production, threatens people's safety, and leads to unnecessary expense.

The head of exploration at Heritage indicated at a recent meeting of the Energy Chamber that there were great prospects which the new seismic has identified. Is this correct and does Heritage have a plan to develop these resources?

That was actually our Offshore Leader, not the 'head of exploration... We do believe there is significant upside to our offshore assets. It is expected that the combination of existing seismic, the potential of new OBN (Ocean Bottom Node) seismic technology, and a fresh perspective on our geological understanding will unlock new opportunities offshore.

Offshore exploration is a high risk, high cost proposition. We will explore opportunities for technology and capital partnerships to de-risk these resources. Heritage has a bright future with good assets, but there are integrity issues that need investment and we need the

right technology for us to catch up and become competitive.

Does Heritage see itself having to find a partner or do joint ventures in an effort to develop some of these resources or is it that the company may offer an equity stake in the entire operations?

Heritage will be primarily seeking partnerships other than classic joint venture arrangements—our focus is obtaining the maximum value for the assets. The emphasis will be on understanding the asset, accessing the technology required and the capital investment needed to yield the maximum value.

Is there interest from any of the majors already operating in Trinidad and Tobago or the region to partner with Heritage to develop those resources?

There is significant interest by partners here in T&T—both from the large and small E&P operators. The asset understanding will help to determine the right partner or associations that best fit the asset's technology and capital needs. The large potential/high cost developments will require partnerships; while medium size/cost activity

will potentially be developed in-house, and the smaller fields/projects would be passed to smaller local companies—there's opportunity across the value chain for everyone to participate.

Is EOR (Enhance Oil Recovery) part of your strategy going forward and if yes what will be the time frame?

EOR, is the process of recovering oil not already extracted from an oil reservoir. To answer your question directly, yes, EOR is a significant factor in Heritage's strategy moving forward. Heritage is focused on improving current EOR operations and increasing operational scale to steam flooding EOR technique in addition to working with partners on a CO2 injection EOR project.

Has Heritage been operationally profitable?

Yes, Heritage has been operationally profitable. We were set up to be sustainably profitable, and while we have a lot of cleaning up to do, we have maintained our focus on being a safe, lean, financially efficient and performance-driven company. It is very unusual for a company that's just

four or five months old to record a profit (albeit a small one), but it's testimony to the fact that if you can focus on where your inefficiencies are and, at the same time, plan for the longer term and manage to record a positive operating margin, that's a clear indicator that you have a viable business.

Is the free cash flow from Heritage expected to pay the debt for the refinery; and how does this impact working capital?

Trinidad Petroleum Holdings Company Ltd (TPHL), the parent company of the four subsidiary companies (inclusive of Heritage) has factored all commitments into the overall cash needs going forward. Debt repayment is not insignificant, and it has been factored into our overall financial model, which incorporates our working capital, revenue projections and debt.

When are the first half-year accounts expected to be published?

TPHL is currently reviewing its financial results and expects to publish its interim audited results by end May 2019.