



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Trinidad and Tobago Deep Water Competitive Bid Round 2010



October 20, 2010





- Reprocessing of the southern part of the TTDA survey by ION/GXT





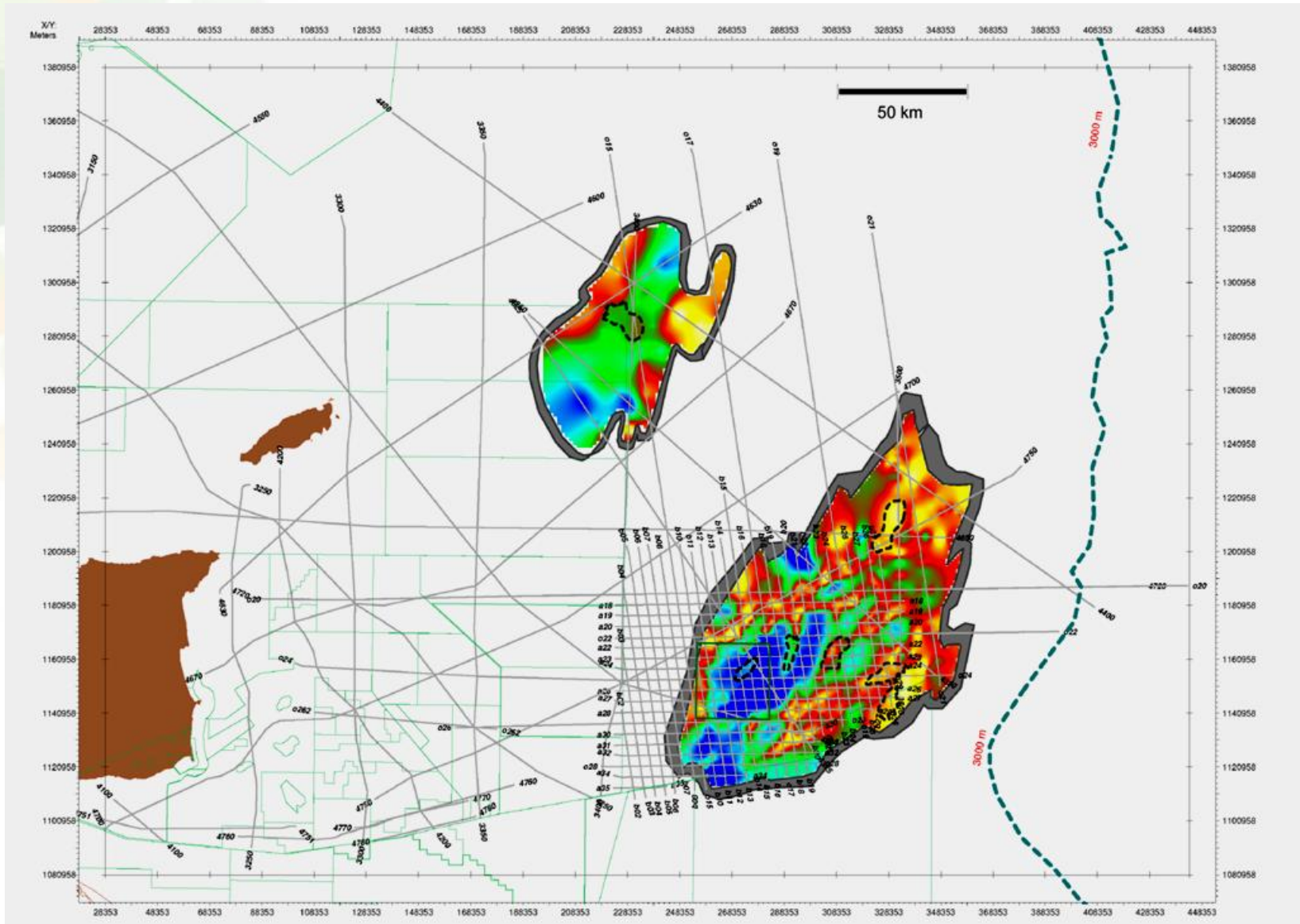
Work Undertaken Post 2006 (2)

- Studies executed by Dynamic Global Advisors
 - Phase 1 – MultiClient study for ION/GXT
 - Structure and Stratigraphy – Regional in scope but focused on the deep water areas
 - Phase 2 - Leads, Risks and Reserves (Proprietary to the Ministry)
 - Regional Petroleum Systems work
 - Additional work on six leads executed to the point of deliverability of wells



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Work Undertaken Post 2006 (3)



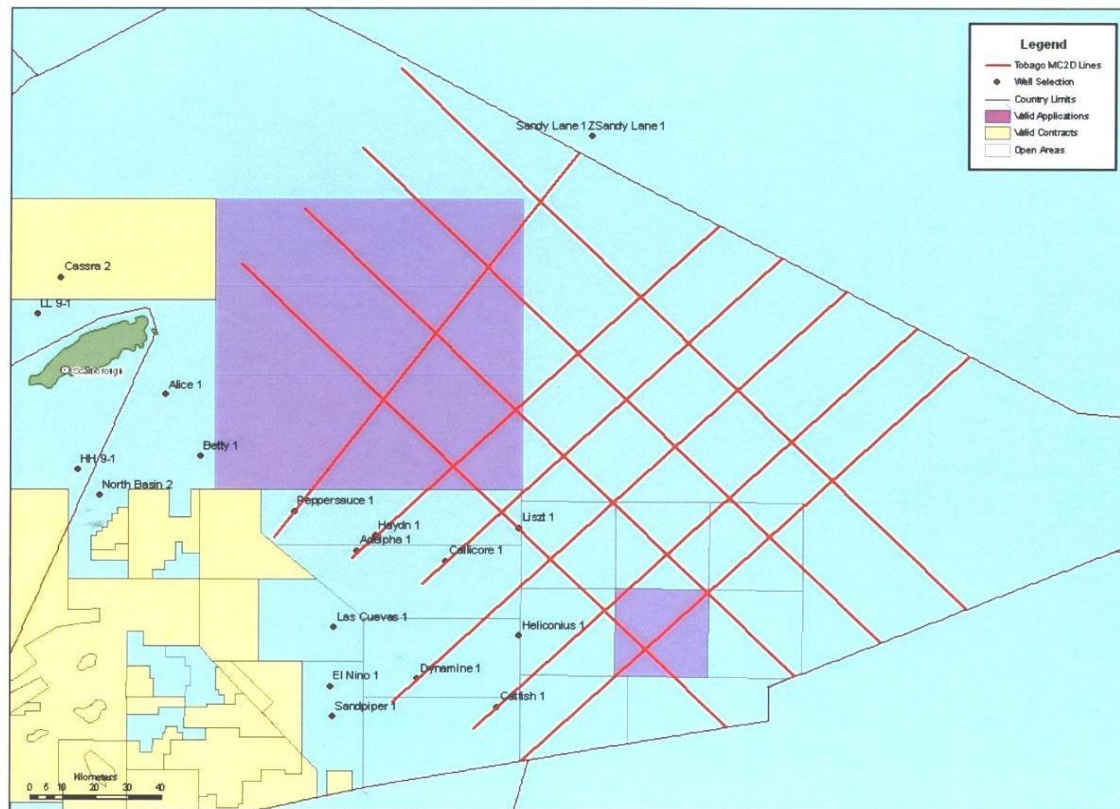


THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Work Undertaken Post 2006 (4)



ECMA Regional MC2D – Acquired Survey: 1,964 km





THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Work Undertaken Post 2006 (5)

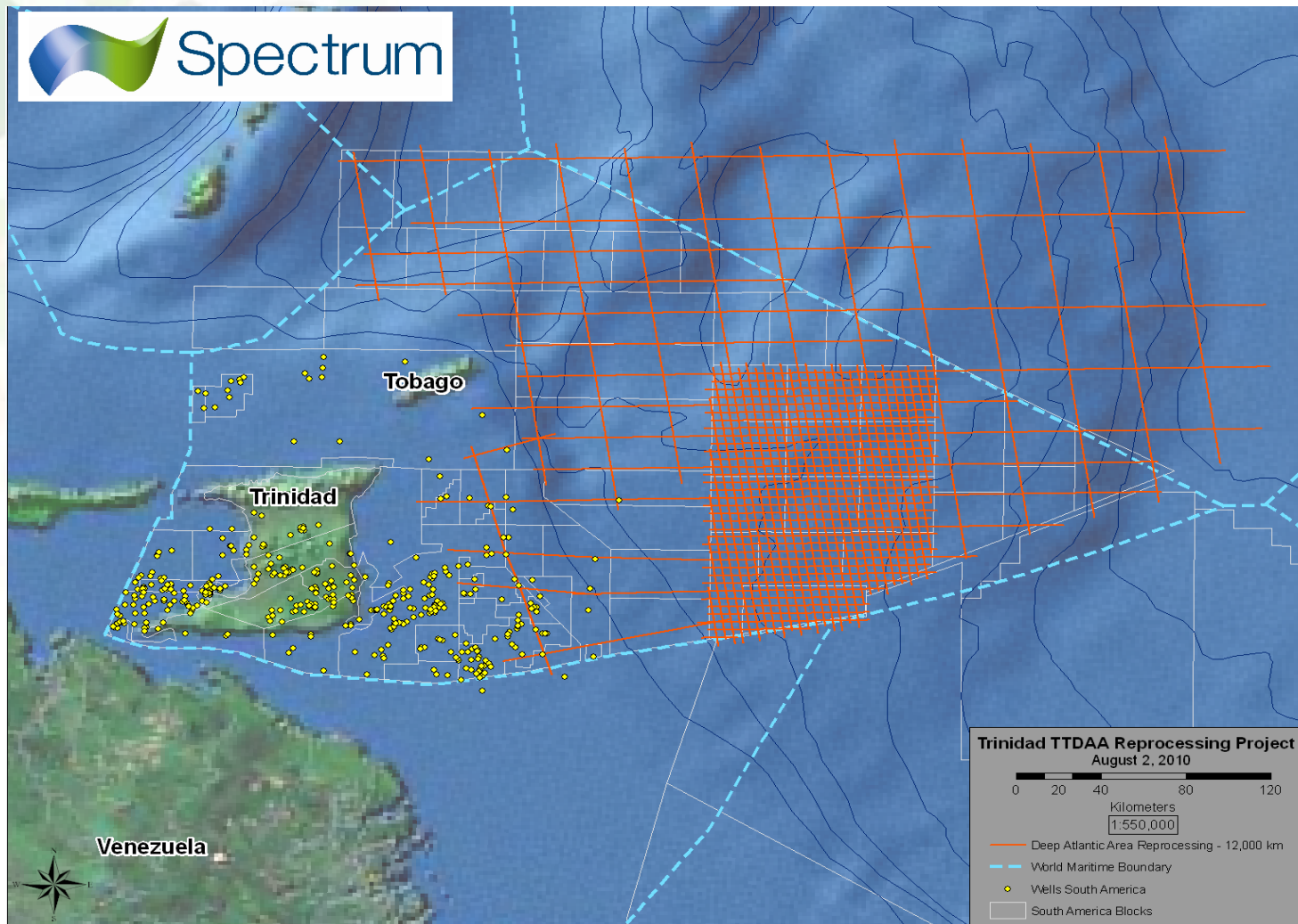


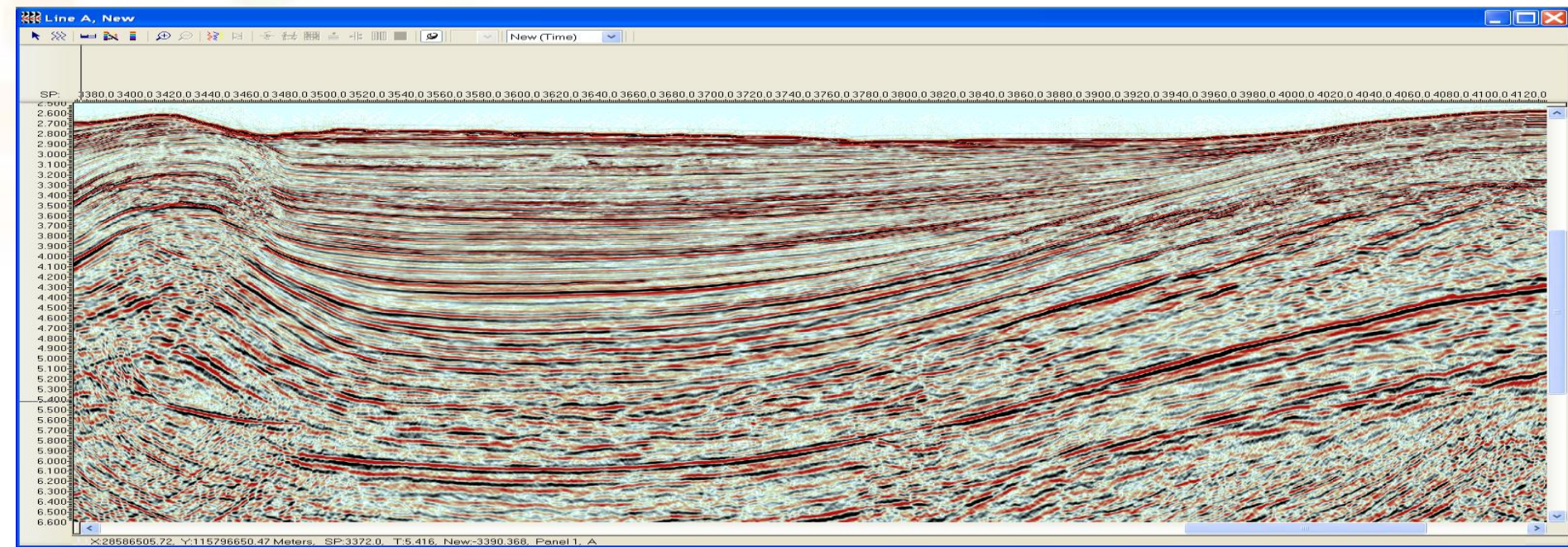
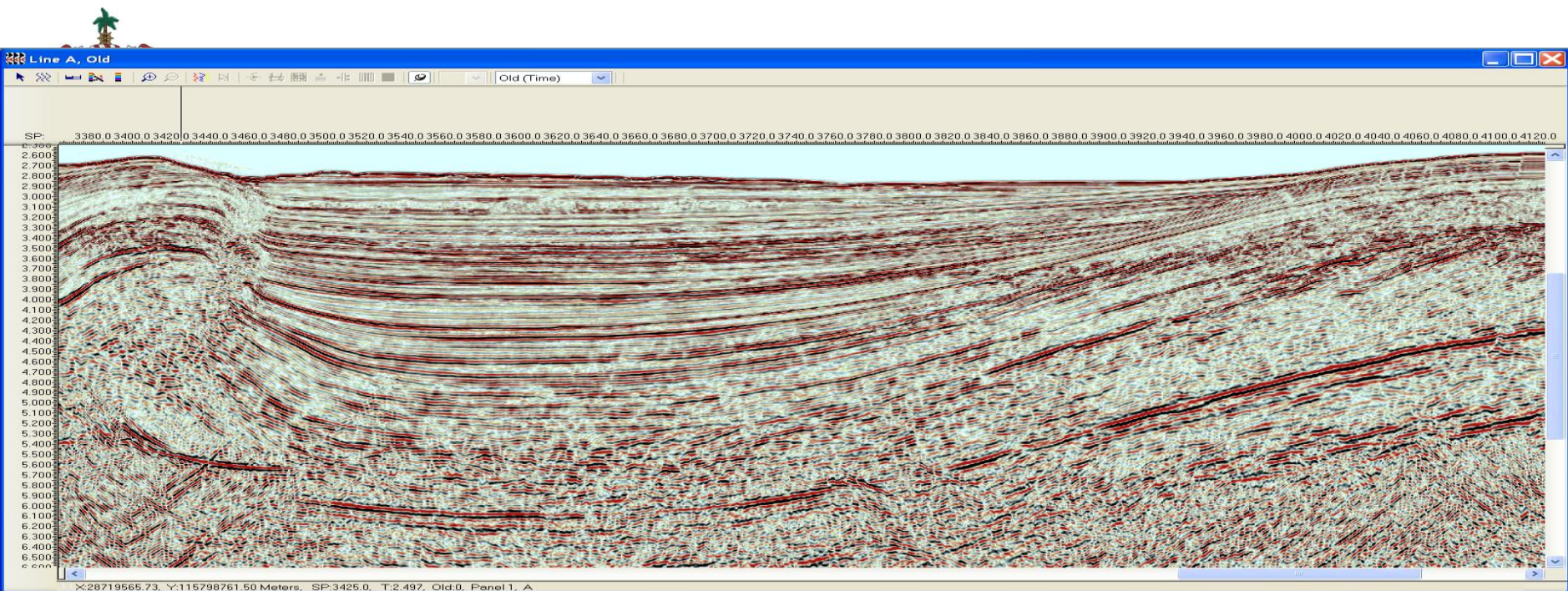


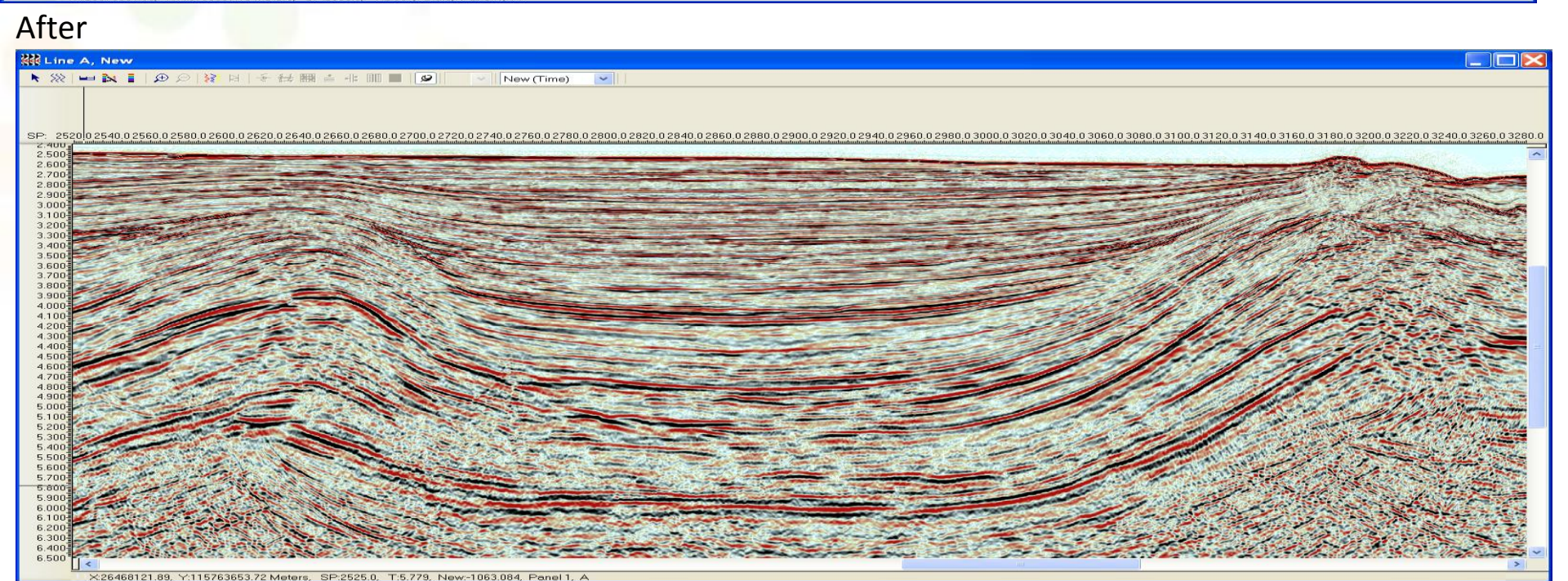
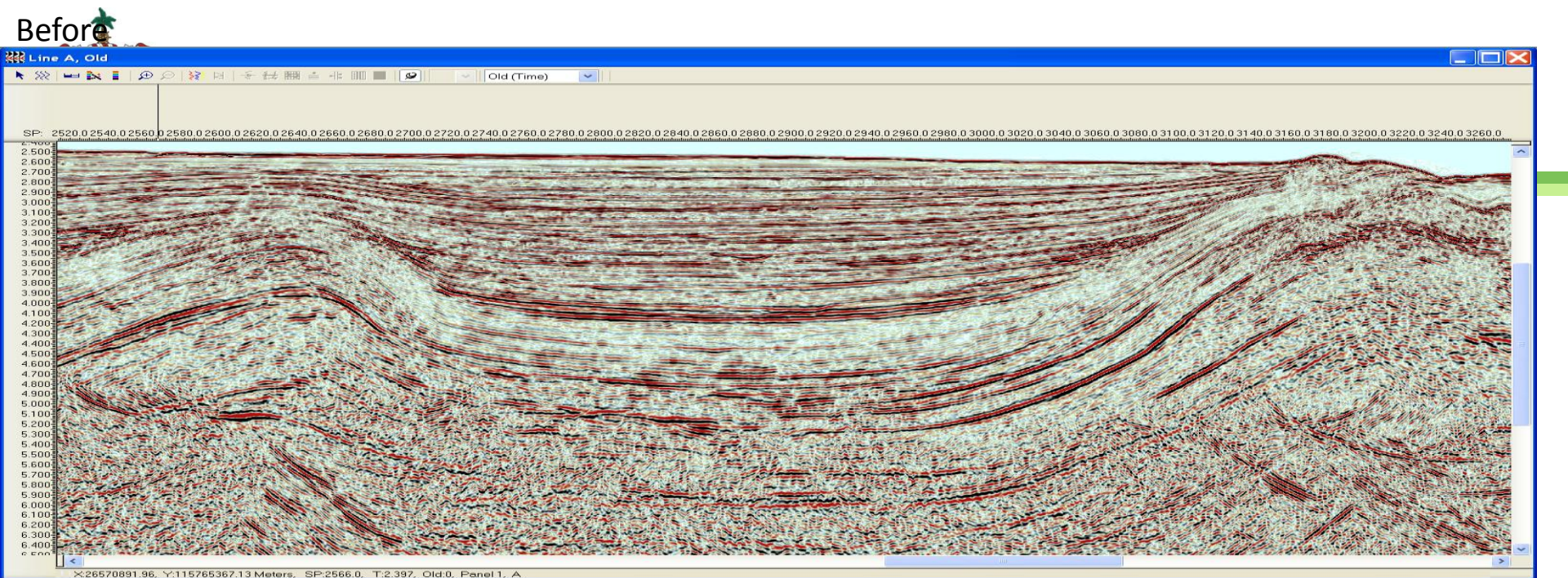
THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Work Undertaken Post 2006 (6)

Reprocessing of 2002 data set









THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Petroleum Fiscal Regime For The 2010/2011 Deep Water Bid Round



Governing Legislation

- ☐ **Petroleum Act and Regulations Chap. 62:01**
 - ☐ Contractual Arrangements – Production Sharing Contract or Licences
- ☐ **Petroleum Production Levy and Subsidy Act Chap. 62:02**
 - ☐ Payment made by oil producers to offset subsidy of petroleum products in T&T
- ☐ **Environmental Management Act (EMA) 2000**
 - ☐ Responsible for the management of the environment
 - ☐ Certificate of Environmental Clearance
- ☐ **Occupational, Safety and Health Act (OSHA)**
 - ☐ Monitor and regulate health and safety standards within organizations



Fiscal Legislation

❖ **Petroleum Taxes Act Chap. 75:04**

- *Petroleum Profits Tax (35% for Deep)*
- *Uplift of 40% given on capital expenditure for drilling of exploration wells in deep water*
- *Supplemental Petroleum Tax*

❖ **Income Tax in Aid of Industry Act Chap. 85:04**

- *Capital Allowances*

❖ **Unemployment Levy Act (5%)**

❖ **Income Tax Act Chap 75:01**

- *Withholding Tax (Paid Directly by Contractor)*

❖ **Green Fund Levy (0.1% on gross sales or receipts)**

❖ **Petroleum Act**

- *Oil Impost, Royalties*

❖ **Petroleum Production Levy & Subsidy Act**

- *Levy Payments*



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Production Sharing Contracts



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Objectives of 2010/2011 Model PSCs

- ❖ **Encourage greater exploration activities**
- ❖ **Provide for flexibility in exploration programmes**
- ❖ **Reduce risk to potential investors**
 - ❖ Offer greater economic stability
 - ❖ Fixed financial obligations
- ❖ **Build knowledge based society**
- ❖ **Encourage greater local content**
- ❖ **Allow relinquishment provisions**
- ❖ **Enhance decommissioning provisions (Escrow accounts)**



Basic Features of PSCs

- ☐ **Conventional styled PSCs, for Shallow (< 400 m), Average ($400 < W < 1000$ m) & Deep (> 1000 m) water depths, with the following features**
- ☐ **Ring-fenced**
- ☐ **Contractor's liabilities for PPT, UL, SPT, Petroleum Levy, Oil Impost, Royalty, Green Fund Levy to be made from GORTT's Share of Profit Petroleum, with exception of the payment of Withholding Taxes and Stamp Duty**
- ☐ **GORTT to make payments on behalf of Contractor**
- ☐ **Gross up mechanism will apply (see Annex C of PSC)**



Basic Features of PSCs

- ☐ Profit Share matrices opened
- ☐ Price and Production Bands widened
- ☐ Windfall profit feature
- ☐ Profit Shares and work programmes are biddable
- ☐ Abandonment Provision
 - ☐ Escrow Account from time of development
- ☐ Financial Obligations fixed in PSC
- ☐ Cost Recovery fixed at 60%
- ☐ GORTT will have options for marketing its share of petroleum



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Deep Water: Profit Share Matrices

Crude Oil

Price MBOPD	A	B	C	D
	< \$50.00	\$50.00 - \$75.00	\$75.00 - \$100.00	> \$100.00
	%			
< 75	X	X	X	X
75 - 100	X	X	X	X
100 - 150	X	X	X	X
150 - 200	X	X	X	X
> 200	X	X	X	X

Windfall Feature:

$$BR + 70\% * [(P - US\$100.00) / P] * (1 - BR)$$

Where:

BR is the base rate at Column D

P is the market price

Natural Gas

Price MMCFD	A	B	C	D
	< \$4.00	\$4.00 - \$6.50	\$6.50 - \$9.00	> \$9.00
	%			
< 200	X	X	X	X
200 - 350	X	X	X	X
350 - 500	X	X	X	X
500 - 750	X	X	X	X
750 - 1,000	X	X	X	X
> 1,000	X	X	X	X

Windfall Feature:

$$BR + 70\% * [(P - US\$9.00) / P] * (1 - BR)$$

Where:

BR is the base rate at Column D

P is the market price

Cost Recovery: 60%





Financial Obligations

Financial Obligations	Deep
Minimum Payment	US\$5.50/hectare, increasing by 50c/year of exploration and by 6% thereafter
Administration Charge	US\$300,000 incr. by 4% /yr thereafter
Training Contribution	Pre Commerciality: US\$120,000 incr by 4%/yr Post Commerciality: US\$150,000 incr by 4%/yr First Prod: 0.25% of Contractor's Share of Profit Petroleum



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Financial Obligations (Cont'd)

Financial Obligations	Deep
Research & Development	a. Pre Commerciality: US\$120,000 incr by 4%/yr b. Post Commerciality: US\$150,000 incr by 4%/yr c. First Prod: 0.25% of Contractor's Share of Profit Petroleum
Scholarships	US\$100,000 incr. by 4% /yr thereafter
Technical Equipment	US\$300,000
Signature Bonuses	Not required (Unless a tie)
Production Bonuses	Fixed



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Production Bonuses

<u>Petroleum production in</u>	<u>Production bonus</u>
<u>Barrels per day (BOPD)</u>	<u>payments in US\$</u>
•	
• 25,000	\$1,500,000.00
• 50,000	\$2,000,000.00
• 75,000	\$3,000,000.00
• 100,000	\$4,000,000.00
•	
• Thereafter for every 50,000 BOPD	
• exceeding 100,000 BOPD	\$1,000,000.0



Summary

- ❑ In evaluating GORTT's Share of Profit Petroleum it should satisfy all tax expectations.



Satisfying Tax Payments

➤ **GORTT's Share of Profit Petroleum should cover:**

(Paid by GORTT on behalf of Contractor)

- **Petroleum Profits Tax (35% allowed for Deep)**
- **Supplemental Petroleum Tax (On oil only. For Deep water- US\$50-90 – 18%, >US\$90 -02% for every dollar increase)**
- **Unemployment Levy (5%)**
- **Petroleum Production Levy (Up to 4% of Crude Income)**
- **Royalties**
- **Oil Impost (BOE rate stated in Order)**
- **Green Fund Levy (0.1% not deductible for tax purposes)**

(Paid directly by Contractor)

- **Other (Research & Development, Scholarships, Training etc)**
- **Withholding Taxes**



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Competitive Bidding Order



Legal Notice #257

- Legal instrument inviting Bids
- Published September 16, 2010
- The Order sets out the terms and conditions for bid submissions
- The document contains six schedules
 - Schedule 1 & 2 – Coordinates and Map of areas offered
 - Schedule 3 – Declaration of Acceptance of PSC
 - Schedule 4 – Summary Bid Form
 - Schedule 5 – Form A Revenue Cost Data used in Commercial Evaluation
 - Schedule 6 – Point System for use in Evaluating Bids received



Schedule 3 - Declaration

- The PSC is published on the Ministry's website
- Companies are requested to read the contract and submit all issues before bids are due (within 3mths of the CBO publication)
- All issues will be considered, discussed and agreed/disagreed
- Bidders are required to include the signed declaration on submission of a bid
 - Facilitates execution of contracts in the one month time frame specified (after acceptance of bid)



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Schedule 4

Summary Bid Form (1)

Term of Contract

1st Phase - seismic option – 3 years

1st Phase - seismic and exploration drilling

seismic and 1 well – 4 1/2 years

seismic and 2 wells – 6 years

2nd Phase - exploration drilling

3rd Phase - exploration drilling

Drilling of exploration wells is a requirement in the second and third phases of the exploration period.





THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Schedule 4

Summary Bid Form (2)

MINIMUM WORK PROGRAMME

(US\$1MN equivalent to one work unit)

Geophysical

SEISMIC

3D Seismic (sqkm)

Other Geophysical (linekm/sqkm)

Geological

Named Studies

Drilling:

Wells

Depth

WORK UNITS

Companies are required to state the bidded work programme, cost the components and convert these items to work units utilising the formula and Annex **E of the PSC**

Schedule 5

Form "A"

Revenue/Cost Data used in Commercial Evaluation

All amounts should be in constant 2011 US\$

		Assuming Discovery			Assuming Development				
					(a)	(b)	(a)	(b)	
					Crude Oil Production mmbbls	Crude Oil Price (\$/bbl)	Natural Gas Production BCF	Natural Gas Price	Gross Income (\$M)
Year	Exploration Costs (\$M)	Evaluation Costs	Development Costs	Production Costs					
2011									
2012									
2013									
2014									
2015									
2016									
2017									
2018									
2019									
2020									
2021									
2022									
2023									
2024									
2025									
2026									
Please insert rows and further sheets if required									
TOTAL									

(a) Estimated value of development costs, production costs and production assuming development.

(b) Estimated value for evaluation purposes.



Schedule 6 Point System

MINIMUM EXPLORATION PROGRAMME

110 points

Geophysical 30 points

Seismic – 20 points

1 sq km of 3D seismic - 0.020 points

Other Geophysical – 10 points

1line and /or sqkm of data - 0.010 points

Geological Studies 10 points

Bidders should provide details of studies proposed and illustrate their value in contributing to improving the understanding of the petroleum system.

Drilling

Wells 70 points



	Cumulative well depth	Incremental Points	Cumulative Points
First 500m	1700	0.8	0.8
Next 250m	1950	0.8	1.6
Next 250m	2200	0.9	2.4
Next 250m	2450	0.9	3.3
Next 250m	2700	0.9	4.3
Next 250m	2950	1.0	5.2
Next 250m	3200	1.0	6.3
Next 250m	3450	1.1	7.3
Next 250m	3700	1.1	8.5
Next 250m	3950	1.2	9.6
Next 250m	4200	1.2	10.9
Next 250m	4450	1.3	12.2
Next 250m	4700	1.3	13.5
Next 250m	4950	1.4	14.9
Next 250m	5200	1.5	16.4
Next 250m	5450	1.5	17.9
Next 250m	5700	1.6	19.6
Next 250m	5950	1.7	21.3
Next 250m	6200	1.8	23.0
Next 250m	6450	1.9	24.9
Next 250m	6700	1.9	26.8
Next 250m	6950	2.0	28.9
Next 250m	7200	2.1	31.0
Next 250m	7450	2.2	33.2
Next 250m	7700	2.3	35.6
Next 250m	7950	2.5	38.0
Next 250m	8200	2.6	40.6
Next 250m	8450	2.7	43.3
Next 250m	8700	2.8	46.1
Next 250m	8950	2.9	49.0
Next 250m	9200	3.1	52.1
Next 250m	9450	3.2	55.4
Next 250m	9700	3.4	58.7
Next 250m	9950	3.5	62.3
Next 250m	10200	3.7	66.0
Next 250m	10450	3.9	70

The point allocation for wells will be based on cumulative footage

Points for well depth start at 1,700m which acknowledges the water depth and assumes an average depth to mud line

Max Cumulative points for wells =70

There will be no points awarded for the programmes in the optional phases.



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Sharing of Production

SHARING OF PRODUCTION

100 points

Profit Crude Oil

50 points

Profit Natural Gas

50 points



Summary

- There are three biddable items for the Work Programme
 - Geophysical Programme
 - Geological Programme
 - Wells

- Oil and Gas considered separately wrt Sharing of Production

- Bids are judged against an internal benchmark
 - Sets the limits for acceptance



Bidding Procedure

- Pre bid Fee — must be paid by all companies wishing to bid (singly or as a consortium) - \$50,000 for each block
 - entitled to bid package (full regional data set)
- Bid Fee – Paid on submission of the bid - \$50,000
- In event of a tie – Companies will be asked to bid a signature bonus



Prequalification

- Any company wishing to be an operator must be prequalified before execution of a PSC
- Any change of operator – the new operator must be prequalified
- Prequalification is an ongoing process



Time Table

- Submission of Bids – January 18, 2010
- Evaluation of Bids – within 2 months of submission
- Execution of Contract – within three months of submission



Data Room

- Viewing data is free of charge
- Companies are limited to two days

Appointments may be made by contacting

Mr Lendyn Philips – lphilips@energy.gov.tt

Mr Stephen Jagdeo – sjagdeo@energy.gov.tt

Dr Wanda Lee Clarke – wclarke@energy.gov.tt



THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Website

www.energy.gov.tt





THE GOVERNMENT OF THE
REPUBLIC OF TRINIDAD AND TOBAGO

Thank You

