



Government of the Republic of Trinidad and Tobago

ADDRESS

BY

SENATOR THE HONOURABLE FRANKLIN KHAN

MINISTER OF ENERGY AND ENERGY INDUSTRIES

AT

THE JOINT VENTURE SIGNING CEREMONY

BETWEEN

**HERITAGE PETROLEUM COMPANY LIMITED AND EOG
RESOURCES TRINIDAD LIMITED**

ON

March 24th 2021

Salutations:

Dr the Honourable Keith Christopher Rowley, Prime Minister of the Republic of Trinidad and Tobago;

Ms. Penelope Bradshaw-Niles, Permanent Secretary (Ag.), Ministry of Energy and Energy Industries;

Mr. Michael Quamina, Chairman of the Board of Heritage Petroleum;

Mr. George Vieira, Managing Director of EOG Resources Trinidad Limited;

Mr. Reynold Ajodhasingh, Deputy Chairman of the Board of Heritage Petroleum;

Ms. Lisa Gosine-Alleyne, Managing Counsel of EOG Resources;

Mr. Jerome Lopez, Manager Finance and Administration for EOG Resources;

Mr. Newman George, Chairman of Paria;

CEO Arlene Chow and Executive Leaders and staff of Heritage Petroleum;

Ladies and Gentlemen of the media and other invited guests.

It is my pleasure to participate in this ceremony for the execution of agreements between Heritage Petroleum Company Limited and EOG Resources Trinidad Limited for the farm-in and joint operatorship by EOG in Heritage's Trinidad Northern Areas (TNA) Soldado fields for exploration and development.

The specific area in question that is the subject of the agreements being executed today, representing just about 15% of the new TNA Licence Area, and the surrounding areas in particular, have an extensive history, taking us as far back as the 1950s. The three major Soldado fields, the Main, East and North Soldado Fields, which were discovered between 1954 and 1965 were some of the earliest major discoveries in the Gulf of Paria. To date, over six hundred wells have been drilled in the Soldado Field areas, targeting the Cruse, Forest and Morne L'Enfer formations. Notwithstanding, there has not been the optimal level of exploration in the basin within recent times. On December 31, 2012 Petrotrin was granted the renewal of both its TNA Trinmar acreage and its TNA North Marine licence for a period of six years. Under the TNA Trinmar Licence, Petrotrin was required to drill four (4) exploration wells under the minimum work obligation. Similarly under the TNA North Marine Licence, Petrotrin had drilling obligations. For several reasons, including the lack of capital Petrotrin then failed to deliver on any of its drilling obligations under the licences.

The lack of exploration activity by Petrotrin was an opportunity lost not only from the company's perspective but also in terms of revenue foregone by Government. Ladies and gentlemen, Trinidad and Tobago's economy was developed from the revenue accruing to Government from the taxation of oil. Unlike natural gas, particularly LNG, the marketing arrangements for oil are transparent and measurable. There are no regional markets in oil. Every single type of crude is

pegged to a reference marker. Most importantly, there is no opportunity for arbitrage. Oil is also subject to a wider range of taxes and was the major contributor to Government revenue.

However, despite tax incentives the country's crude oil production continued to decline. Oil production has fallen from 71,705 barrels per day in 2016 to the current production of 56,472 barrels per day in 2020. The decline in production has been due to natural decline and discoveries until recently being mainly gas.

Accordingly Government has been providing fiscal incentives aimed at increasing oil production. These incentives have been applicable to the spectrum of activities such as new fields, mature fields and small onshore producers. The impact of these incentives has been measured but a significant turnaround is imminent.

Oil production is set for a major uplift based on discoveries by Touchstone and the development work by BHP in Block 3a, better known as Ruby. By end 2022 oil production is projected to increase to approximately 80,000 barrels per day.

Apart from new discoveries, the potential for the turnaround of the domestic oil industry lies squarely with State Owned Heritage which possesses the majority of the country's crude oil reserves and prospective acreage. In 2020 Heritage, the successor to Petrotrin produced 35,000 barrels per day or 62% of the total domestic oil production, a decline 16% on the production of 42,000 barrels per day achieved in 2016. The priority allocation of funds by Petrotrin to its manufacturing business over investment in developing its crude oil reserves was instrumental in accelerating the decline in its oil production. The inability to arrest the decline in oil production

was one of the reasons that led to the financial collapse of Petrotrin and to its restructuring which to date has been quite a success.

The lesson learned from that experience is that we have to be collaborative and use the medium of joint ventures to share risks and reward. The domestic upstream sector is a close knit community and there are synergies and mutual benefits to be derived from collaboration in the development of known hydrocarbon resources. There has been some level of collaboration such as in the use of technology and infrastructure. However, some companies do have idle acreages which are not currently exploited or which have been given low priority. As a country we can ill afford to have idle, acreages which have the potential to produce hydrocarbons. The hydrocarbon window is narrow, so the development of proven reserves in particular, is very important.

The undeveloped oil resources of Heritage provide an opportunity for such a collaboration. In 2018 Government started a conversation with upstream companies on a collaboration with Heritage on the development of these resources. This engagement continued with the Board of Directors and Management of Heritage which were in alignment with Government.

In its Strategic Plan 2019 to 2026, the Board seeks as one of its main objectives to grow its production. This is to be achieved through a two stage process. The first phase involves protecting the declining production base while increasing production by way of workovers, development drilling and engagement of the production and compression services from a Mobile Offshore Production Unit, also called MOPU. Phase 2 strategy is based on leveraging finance, technology, and negotiating Joint Venture partnership initiatives.

In 2019 the then Chief Executive Officer, Heritage publicly announced that its priorities were stabilizing the operation and getting the production back to 40,000bbl/day. He informed that to increase production in the long term will require significant capital investment and that partnerships will be a key part of the growth strategy. Therefore, getting the right partner was very important. If I should take the liberty to say this, I think that, in EOG, Heritage has found the right strategic partner.

Heritage since its inception has established itself as a profitable entity. For the financial year 2019 Heritage achieved a net profit of \$1.4 billion on revenue of \$5.4 billion and for the 12 months ended September 30, 2020, it achieved a profit of \$884 million after tax. Production which fell to low on transitioning from Petrotrin is on the rise. The Heritage Board and Management has also been actively implementing its strategic plan which is aimed at growing production. A critical element of the plan was the renewal of the TNA Trinmar and TNA North Marine licences. Following the approval of Cabinet, the Minister of Energy and Energy Industries in January 2021 issued to Heritage an Exploration and Production (Public Petroleum Rights) licence in respect of the merged TNA blocks for a period of six years. In keeping with the National Energy Policy to enhance oil and gas production, the licence included a requirement for the drilling of two exploration wells by Heritage.

As result of field delineation exercises and the re-interpretation of multiple seismic surveys Heritage has identified prospective areas with potential hydrocarbons. The renewal has allowed Heritage to actively pursue upstream projects and with collaboration of a proven operator, EOG Resources.

As the Minister of Energy and Energy Industries, I wish to commend EOG in pursuing with Heritage a collaborative approach to upstream activity and being a

leader in this regard. It is my earnest wish that other upstream companies follow your example.

I wish to emphasize that in EOG Resources, Heritage has found the **Right Strategic Partner**. EOG's success as a domestic upstream producer is phenomenal. The company moved from the supply of zero molecules in 1992 to a major producer of natural gas in the domestic energy sector. This is a testimony of its commitment, rigour, technical acumen and efficacy in the conduct of its operations. Its success as an upstream producer has in part been due to its practical and logical approach to exploration. This is typified in its adherence to a policy of growth through the drill bit and will augur well for the JV in its quest to monetize undeveloped TNA resources. EOG also brings to the partnership a track record of successful collaboration as evidenced by its joint ventures with BPTT in the Sercan, TP61 and Ska Mento Reggae Blocks. And let me cite my usual quote on EOG which is "They are, and continue to be, the unsung hero in the domestic energy sector."

As the Minister of Energy and Energy Industries I am extremely excited by this initiative, and as an exploration geologist myself, I am even more excited. It is no secret that the Soldado fields have been identified as the most promising prospect of known resources for oil discovery. The joint venture between Heritage and EOG can be assured of my full support and that of my Ministry and I wish you both every success in this undertaking.

I thank you.