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**Government of the Republic of Trinidad and Tobago**

**ADDRESS**

**BY**

**DR. KEITH ROWLEY**

**PRIME MINISTER OF TRINIDAD AND TOBAGO**

**AT**

**THE EXECUTION OF JOINT OPERATING AND FARMOUT AGREEMENTS**

**BETWEEN**

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

**ON**

**March 24th 2021**

**Salutations:**

Senator the Hon, Franklin Khan, Minister of Energy and Energy Industries;

Mrs. Penelope Bradshaw-Niles, Permanent Secretary, Ministry of Energy and Energy Industries;

Mrs. Sandra Fraser, Deputy Permanent Secretary, 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;

Ms. Arlene Chow, CEO of Heritage Petroleum;

Other members of the Boards and Executive Teams of Heritage Petroleum and EOG Resources Trinidad Limited;

Ladies and gentlemen,

Good morning.

I have made it my duty to attend today’s signing ceremony because I wanted to be on hand to congratulate both Heritage

and EOG Resources Trinidad Limited on the Farmout and Joint Operating Agreements that are being executed here today. I know that both teams have been working diligently and very closely with each other to develop terms and conditions that are mutually beneficial, and I commend you on achieving congruence.

The Trinidad Northern Areas have and continue to be prospective for oil. The first licence was issued in 1945 to a TNA Consortium which saw the potential for oil in the basin. Its first discovery was the Main Field in 1954, which was followed by the discovery of the East Soldado Field ten years later and subsequently the South West Soldado Field.

Most of the production to date has been derived from the Main Field which began production in 1955 and attained a peak production of 43,000 bopd in 1963. Today, the field produces approximately 3600 bopd. Other established production areas include the North Soldado, East Soldado, West Soldado and Southwest Soldado fields. The East Soldado Field is currently the largest oil producer averaging just over 5300 bopd followed by North Soldado with 5200 bopd. Among these established fields, four (4) field areas remain relatively under-developed in terms of cumulative production and facilities and hold significant potential to become new field developments. These include Jubilee Field, Central Soldado, South West Soldado and Chilaca field area.

The TNA acreage has a rich dataset comprising approximately 984 wells and multiple seismic survey volumes that were acquired from 1992-2014. However, the lack of investment resulted in declining production. In 2018, a collaborative team that included the Ministry collectively devised seismic-based solutions to address short- and longer-term production. The then Board of Directors of Petrotrin was tasked with the implementation of programmes aimed at improving oil production. These programmes included drilling and workovers both on-shore and off-shore, the implementation of its South West Soldado Project and Joint Ventures.

You may recall the infamous 2012 iteration of the South West Soldado reactivation project, one of the many questionable projects under the former administration, which faced numerous delays and challenges. In addition to infrastructural issues, the project was plagued by mismanagement and a lack of accountability. A breach of former Petrotrin’s tender rules in 2012 resulted in the improper award of a contract to a Mexican firm, Maritima, and a controversial advance payment of US$1.25 million for a vessel that never materialized. This misappropriation of public funds cost taxpayers US$750,000, which allegedly turned up in two private bank accounts in Maraval, and put a financial strain on Petrotrin, which was already suffering from cash flow problems.

It was not until early 2020 that the reactivation of the South West Soldado Field was finally achieved, under the management of Heritage, when the Mobile Offshore Production and Compression Unit (MOPU) came online and was mobilized to South West Soldado. Since the deployment of the MOPU, production has increased from 1,663 barrels of oil per day (bopd) in 2018 to 2,927 bopd in 2020, and is expected to increase further to 3,323 bopd in 2021.

It is a testament to the size and quality of the reservoirs, in addition to the work done in the area, that these fields are still producing oil to this day, and despite the substantial exploration and production that has already been done in the licence area over the years, there still remains some acreage to be explored. This joint venture between Heritage and EOG cements the commitment of two companies, each successful in their own right, to work together to achieve their respective objectives in this particular area.

Within the Gulf of Paria, outside of the Soldado Field areas, the Jubilee Field is another area of interest for Heritage, located five kilometers offshore of Point Fortin. It is quite unique in its geometry, and is divided into the Cluster 6 area in the east and the Heavy Oil area in the west. In early 2020, Heritage put out a call for Expressions of Interest (EOI) for partners to develop the field. An RFP was subsequently issued in December 2020, and Heritage is in data room discussions with several potential partners. We eagerly await the evaluation of proposals following the submission deadline in Q3 2021, and perhaps there will be another of these signing ceremonies in the near future.

With respect to onshore production, efforts also need to be focused on increasing production on land, because it is onshore production that creates greater levels of employment when compared to offshore production, and generates a product with a higher local value-add. In this regard, I would like to see Heritage expand its lease operatorship programme and undertake a land drilling campaign of its own.

While the success of Heritage has been espoused many times by the Minister of Energy, it becomes no less impressive each time it is repeated. Heritage has delivered a stellar performance since its inception, and continues to do so time and time again.

We have witnessed a remarkable turnaround in exploration and production operations since the restructuring of Petrotrin. In its short existence, Heritage was able to increase liquids production to an average of 35,000 barrels of oil per day in 2020, from Petrotrin’s 2017 production levels of 21,500 barrels of oil per day. In December 2020, Heritage’s production reached as high as 36,000 barrels of oil per day. Increased production was the result of the considerable work put in by Heritage, including the completion of workovers and gas lift installation on offshore wells.

Just imagine that during a year with two black swan events, namely a pandemic and historically low energy prices dipping into negative territory, Heritage was able to maintain production levels above that of the former Petrotrin. Heritage had been doing so well prior to the pandemic that the company was in a position to store its production during the period of lowest market prices, while still meeting debt commitments and the costs of its operations.

In addition to increasing production, Heritage has also been able to achieve lower lifting costs than its predecessor, in the range of US$28 per barrel, compared to US$35-38 under Petrotrin. With the combination of increased production and reduced costs, it comes as no surprise that Heritage has been able to turn a profit in its first two years of operation, to the tune of $1.4 billion and $884 million for financial years 2019 and 2020 respectively, whilst contributing almost $2 billion in taxes and royalties to the State.

Heritage has set a vision for itself, “to be a source of pride for Trinidad and Tobago by focusing on profitability, operational excellence and world class talent as a performance driven oil and gas company”, and by all accounts thus far, Heritage is realizing this vision. I applaud the members of the board, the CEO and the management team for your astute leadership, focus and pragmatism in steering the company to where it is today.

An integral part of the management of the company is recognizing opportunities and forming synergetic partnerships, and I believe that Heritage has found an equally nimble, innovative and resilient partner in EOG. In its past projects such as the South East Coast Consortium (SECC) joint venture, EOG has proven to be a valuable partner for Heritage, clearly showcasing its ability to deliver on time and on target, while demonstrating subsurface competency, and efficient well planning and execution. In its almost thirty-year history in Trinidad and Tobago, EOG has consistently signaled that it is capable of setting and achieving aggressive targets, at relatively low costs.

I expect this partnership between Heritage and EOG to be a fruitful one, given the alignment of the strategic objectives of both parties, with EOG’s intent being to expand its operations in Trinidad and Tobago, and Heritage’s intent being to increase its production and develop its reserves in a timely manner.

In March 2019, I met with a high-level delegation from EOG Resources at the Diplomatic Centre, St. Ann’s, which was led by William Thomas, Chairman and Chief Executive Officer of EOG. We discussed several items, including EOG’s prospective exploration and production schedule for Trinidad and Tobago for the next five years. EOG also reaffirmed its commitment to Trinidad and Tobago, notwithstanding the competitive global environment, and expressed the company’s intention to continue investing in the country.

As a Government, we endeavour to encourage and support continued investment in our energy sector, and all other sectors of our economy. Last year, EOG spent just over US$100 million in capital expenditure in Trinidad and Tobago, and the impact of such expenditure is not lost on us, especially as we witness the changing tides in the energy industry, and the shifting priorities of major international energy companies.

We recognize the importance of companies such as EOG in the maximization of value of our natural resources for the benefit of our citizens. We welcome the continued participation of private capital in our local economy, in partnership with our State Enterprises, to stimulate the economy along the supply chain, and, more importantly, through the generation of foreign exchange, to maintain the standard of living to which our citizens have grown accustomed.

As I conclude, I wish both parties the greatest success in your joint venture, and given the track records of both Heritage and EOG, I expect no less. I hope to see announcements of discoveries in the near future.

Thank you very much.