



THE GOVERNMENT OF
THE REPUBLIC OF
TRINIDAD AND TOBAGO

Petroleum Acreage Competitive Bidding Process



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Vision

The Ministry of Energy and Energy Affairs will be a world class organization structured **to meet and exceed the expectation of the citizens of Trinidad and Tobago** by the quality of service and the speed of response.



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Legislation

➤ **Petroleum Act (62:01) and Regulations**

- **To monitor and regulate the oil industry**
- **Contractual arrangement**
 - Exploration & Production(E&P) Licence
 - Production Sharing Contract(PSC)
- **Licence and PSC granted via competitive bidding procedure**
- **Competitive Bidding Order (CBO)**
 - rules governing the bid round



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Features of E & P Licence

- Oil company given exclusive right to explore for and produce hydrocarbons within a specified area and in a given time frame.
- Consolidation of Blocks
- Company provides financing, technology and bears all risk
- Title to the hydrocarbon is transferred at the wellhead
- Government gets revenues through royalties, taxes and levies.
- Most common form of agreement in countries such as UK, US, France, Norway, Australia, Russia etc.



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Features of PSC

- A contractual relationship between the State and one or more petroleum companies (collectively constituting the Contractor) to conduct petroleum operations within a specified block for a given timeframe.
- Contractor assumes all exploration risks and costs in exchange for a share of the oil and/gas produced
- Contract terms vary but most possess several common terms such as production bonus and financial obligation
- Ring fenced



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Features of PSC

- Cost Oil : Contractor is allowed to take an agreed percentage of field production to recover investment.
- Profit Oil: After deducting cost, the remaining production, termed Profit Petroleum, is shared between the State and the Contractor in an agreed percentage.
- Taxes : Usually the State pays the Contractor's taxes from its share of profit production. Contractor is protected from future changes in the fiscal legislation (Fiscal Stability)
- Most common form of agreement in developing countries e.g. Indonesia, Egypt, Malaysia, India, Nigeria, Algeria



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Competitive Bidding Order (CBO)

- Geographical description of the area
- The period during which the bid may be submitted
- The biddable items
- Points for minimum work programme
- Points for share of production
- Effort by the bidder to influence the Ministry may result in rejection of the bid



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Bidding Process

- An open tender procedure by which Companies are invited to bid for the right to explore and develop acreage
- Most petroleum producing nations utilize this method
- There is a prequalification process for operator



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Prequalification Of Operators

Categories:

- Legal
- Financial
- Technical
- Health, Safety and the Environment
- Local content



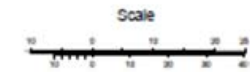
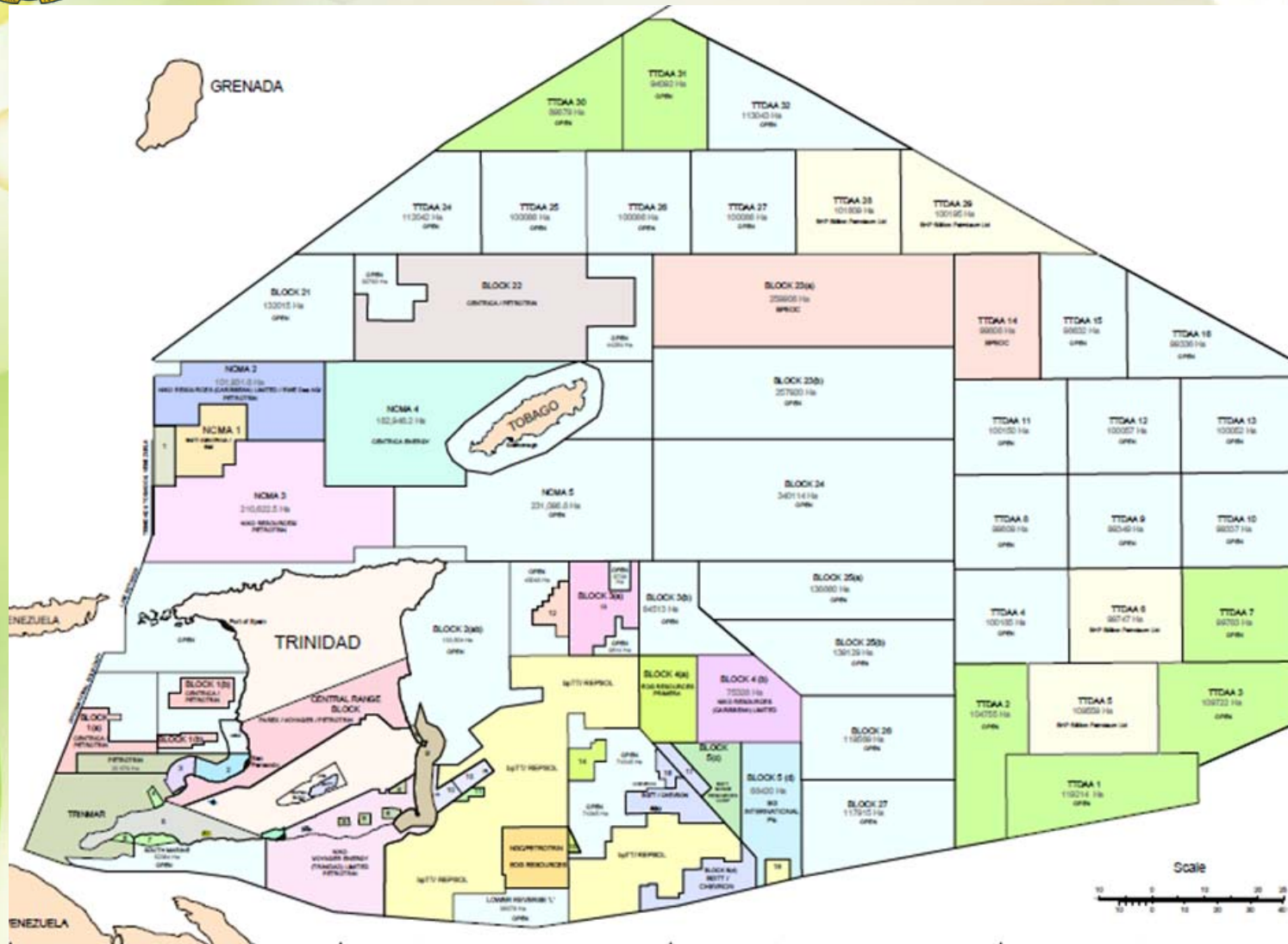
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Selection of Acreage

- analyses of the prospectivity of blocks undertaken by the Ministry's technical staff
- nomination from prospective bidders



Map Showing Blocks Offered





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Data Package

- Model PSC
- The petroleum regulations
- Model joint operating agreement
- Energy sector local content policy
- Relevant information with respect to the area



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Biddable Items

Minimum Work
Programme



Sharing of Profit
Oil



Breakdown of the Points

- The Geophysical Programme included two components:
 - 3D seismic – 20 pts
 - Other Geophysical – 10 points (3D seismic, 2D seismic, Electromagnetics, gravity, magnetics)
- Seismic benchmarks varied for each block based on the number of leads in the block, block size and configuration.
 - The emphasis was placed on 3D seismic acquisition as none existed

| Work Items | Points /item |
|---|--------------|
| 1.0 3D Seismic – | 20.00 |
| 1.1 Acquisition of Full Fold 3D seismic | 0.20/ sq. km |
| 2.0 Other Geophysical* | 10.00 |
| 2.1 Acquisition of 3 D seismic | 0.10/sq.km |
| 2.2 Acquisition of 2 D seismic | 0.10/line km |
| 2.3 Acquisition of CSEM, Gravity, Magnetics | 0.10/sq.km |

* to a maximum of 10.00 points



Breakdown of the Points

➤ The Geological Programme was awarded points as follows:

| Work Items | Points/item |
|---|-------------|
| 1. Geological Studies | |
| 1.1 Sedimentology (including Petrophysics) | 1.00 |
| 1.2 Sequence Stratigraphy | 2.00 |
| 1.3 Geochemistry (including Fluid Analysis) | 1.00 |
| 1.4 Biostratigraphy | 1.00 |
| 1.5 Structural | 1.00 |
| 1.6 Migration Maturation Studies | 2.00 |
| 1.7 Other | 2.00 |



Breakdown of the Points

➤ The Drilling Programme was awarded points as follows:

| | Cumulative well depth | Incremental Points | Cumulative Points |
|-------------|-----------------------|--------------------|-------------------|
| First 1000m | 1000 | 1.00 | 1.00 |
| Next 250m | 1250 | 1.50 | 2.50 |
| Next 250m | 1500 | 1.50 | 4.00 |
| Next 250m | 1750 | 1.50 | 5.50 |
| Next 250m | 2000 | 2.00 | 7.50 |
| Next 250m | 2250 | 2.00 | 9.50 |
| Next 250m | 2500 | 2.00 | 11.50 |
| Next 250m | 2750 | 2.10 | 13.60 |
| Next 250m | 3000 | 2.20 | 15.80 |
| Next 250m | 3250 | 2.50 | 18.30 |
| Next 250m | 3500 | 2.50 | 20.80 |
| Next 250m | 3750 | 2.60 | 23.40 |
| Next 250m | 4000 | 2.80 | 26.20 |
| Next 250m | 4250 | 2.80 | 29.00 |
| Next 250m | 4500 | 3.50 | 32.50 |
| Next 250m | 4750 | 3.50 | 36.00 |
| Next 250m | 5000 | 4.00 | 40.00 |
| Next 250m | 5250 | 1.20 | 41.20 |
| Next 250m | 5500 | 1.20 | 42.40 |

| | Cumulative well depth | Incremental Points | Cumulative Points |
|-----------|-----------------------|--------------------|-------------------|
| Next 250m | 6000 | 1.30 | 45.00 |
| Next 250m | 6250 | 1.30 | 46.30 |
| Next 250m | 6500 | 1.40 | 47.70 |
| Next 250m | 6750 | 1.40 | 49.10 |
| Next 250m | 7000 | 1.40 | 50.50 |
| Next 250m | 7250 | 1.50 | 52.00 |
| Next 250m | 7500 | 1.50 | 53.50 |
| Next 250m | 7750 | 1.60 | 55.10 |
| Next 250m | 8000 | 1.60 | 56.70 |
| Next 250m | 8250 | 1.60 | 58.30 |
| Next 250m | 8500 | 1.70 | 60.00 |
| Next 250m | 8750 | 1.80 | 61.80 |
| Next 250m | 9000 | 1.80 | 63.60 |
| Next 250m | 9250 | 1.90 | 65.50 |
| Next 250m | 9500 | 2.00 | 67.50 |
| Next 250m | 9750 | 2.50 | 70.00 |



Deep Water: Profit Share Matrices

Crude Oil (50 points)

| 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 (50 points)

| 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: 80%



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Technical Review Committee

- Composition of the Committee is diverse with members from The Board of Inland revenue, the Office of the Attorney General and Ministry of Energy and Energy Affairs
- Evaluate the work programme and award points
- Evaluate the share of profit petroleum and award points
- submit report to the overview Committee wrt the recommended preferred bidder/s



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Over View Committee

- This is another diverse team comprising members from the ministry of Energy, Ministry of Finance, the Office of the Attorney General and State Enterprise (energy sector)
- Review the robustness of process used by the Technical review Committee and its subsequent recommendations re the preferred bidder/s
- Recommendations forwarded to the Minister for submission to Cabinet



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Standing Committee on Energy

- This is a sub committee of Cabinet
- Members of the TEC invited to make presentation
- The whole process is again reviewed before a final recommendation is made to the whole Cabinet



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Negotiation

- Mainly the timing of different elements of the work programme is negotiated with the preferred bidder/s
- Terms of PSC submitted to Cabinet for approval
- Forwarded to the Office of the Attorney General for vetting



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Conclusion

The competitive bidding process used by the Ministry in awarding exploration acreage is fair, transparent and contain many checks and balances to ensure the integrity of the process



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Thank You

