



**Tullow Oil PLC** - TLW  
November Trading Update  
Released 07:00 08-Nov-2017



RNS Number : 8486V  
Tullow Oil PLC  
08 November 2017

## **Tullow Oil plc - November Trading Update**

**2017 oil production forecast revised upwards to 85-89,000 bopd**

**Full year free cash flow forecast of c.\$0.4 billion**

**Jubilee and TEN plans approved; drilling to commence in early 2018**

**8 November 2017** - Tullow Oil plc (Tullow) issues the following Trading Update for the period 27 July to 8 November 2017. The Group will publish a Trading Statement and Operational Update on 10 January 2018. Full Year Results for 2017 will be announced on 7 February 2018.

### **Highlights**

- Full year 2017 West Africa net oil production guidance, including production-equivalent insurance payments, revised upwards to 85-89,000 bopd (from 78-85,000 bopd), following strong production performance from both TEN and Jubilee.
- TEN FPSO commissioning completed; 2017 gross production now expected to exceed guidance of 50,000 bopd following higher rates in the second half of the year; final ITLOS tribunal decision results in no adverse impact to the TEN fields and allows development drilling to resume in early 2018.
- Greater Jubilee Full Field Development Plan approval received from the Government of Ghana - drilling to commence in 2018; Jubilee turret remediation work optimised and now planned for 2018 with seven-to-nine weeks of total shut-down.
- Uganda farm-down submitted to the Government for approval following signature of pre-emption documentation; deal completion expected in the first half of 2018. Working towards FID in the first half of 2018, with FEED and ESAs for upstream and pipeline progressing in line with schedule.
- South Lokichar Exploration and Appraisal drilling campaign now concluded, results being evaluated and incorporated in the development plans. Early Oil Pilot Scheme (EOPS) is now expected to commence early in 2018.
- Araku-1 wildcat well drilled in Block 54 in Suriname; no significant reservoir quality rocks encountered, but presence of gas condensate de-risks deeper plays for future possible exploration.
- 2017 Capex guidance reduced to c.\$0.3 billion; free cash flow of around \$0.4 billion forecast for 2017; Net debt at 31 October 2017 reduced to \$3.6 billion. The RBL re-financing is on schedule to complete before year-end.

## **PAUL MCDADE, CHIEF EXECUTIVE OFFICER, TULLOW OIL PLC, COMMENTED TODAY:**

*"I am pleased to report that Tullow continues to make good operational and financial progress. The business is generating free cash flow which is enabling us to continue to reduce our debt. We have upgraded our oil production forecasts for West Africa following strong production at both Jubilee and TEN. In East Africa, both our projects are making steady progress towards Final Investment Decisions with our Kenyan business beginning the important shift from exploration and appraisal to development. With financial discipline and efficiency embedded across the Group, and with market conditions showing some early signs of improving, Tullow is well placed to benefit both from targeted investment in our diverse, low-cost portfolio and the opportunities that this point in the cycle presents."*

## **Operational Update**

### **GROUP PRODUCTION**

Tullow's West Africa 2017 net oil production forecast, including production-equivalent insurance payments, has been revised upwards to 85-89,000 bopd (from 78-85,000 bopd), due to strong production performance from both TEN and Jubilee.

Gas production from the European portfolio is performing in line with guidance which remains unchanged at 5,500 to 6,000 boepd for the full year. Production will be adjusted to reflect the sale of the Group's entire Netherlands portfolio to Hague and London Oil plc (HALO) once the deal completes which is expected later this month.

### **WEST AFRICA**

#### **Ghana**

##### *Jubilee*

The Jubilee Turret Remediation Project continues to progress well and during the period, the focus has been on optimising the remaining work programme and schedule. As a result, the turret bearing stabilisation works will now take place in the first quarter of 2018 and are expected to require shut-downs totalling approximately four-to-six weeks (down from five-to-eight weeks as previously guided). The next phase to rotate the FPSO to its permanent heading and to carry out the final spread-mooring will take place around the end of 2018 and is expected to require a shut-down of approximately three weeks. Tullow's corporate Business Interruption insurance is expected to offset the loss of revenue associated with these shut-down periods. Work is also continuing on the plan for the installation of a deep-water offloading system which would take place in 2019 and result in minimal interruption to production.

The combination of deferring the turret bearing stabilisation shutdowns into 2018 and good performance from the Jubilee field in the second half of 2017 means that full year gross production guidance from Jubilee has been increased to around 89,000 bopd (net: 31,600 bopd). Tullow's corporate Business Interruption insurance is expected to reimburse around 6,800 bopd of net production-equivalent insurance payments. Therefore, full year net production guidance from Jubilee, including production-equivalent insurance payments, has been increased to 38,400 bopd.

In October 2017, the Government of Ghana approved the Greater Jubilee Full Field Development (GJFFD) Plan which has been designed to develop additional commercial reserves and extend the field production profile. Approval of this plan permits infill drilling to commence on the Jubilee field and subsequent development of the Mahogany and Teak fields.

##### **TEN**

The TEN fields have performed well in the second half of 2017 and full year gross production guidance is now expected to exceed original guidance of 50,000 bopd (net: 23,600 bopd). Final commissioning of the FPSO has now been completed and with continued optimisation of production and water injection, the field performed well and has been regularly producing over 60,000 bopd during the period.

On 23 September 2017, the International Tribunal for the Law of the Sea (ITLOS) made its decision with regard to the maritime boundary dispute between Ghana and Côte d'Ivoire. The new maritime boundary, as determined by the tribunal, does not affect the TEN fields and Tullow has received confirmation from the Government of Ghana that the moratorium on drilling has now been lifted.

##### *Ghana drilling in 2018*

Following the ITLOS Tribunal decision and approval of the GJFFD Plan, Tullow is in the final stages of securing a rig for drilling on both the TEN and Jubilee fields in 2018. Work is ongoing on the sequence of the drilling campaign to optimise output from both the Jubilee and TEN field with the first well in the schedule expected to be in the Ntomme area of the TEN fields with drilling expected to commence in early 2018.

## **Non-operated Portfolio**

The West Africa non-operated portfolio has been performing in line with expectations and production is expected to average around 23,000 bopd net in 2017.

Full year gas production from Europe is expected to average around 5,800 boepd, in line with guidance. The sale of Tullow's entire Netherlands portfolio to HALO is expected to complete later this month. Tullow will adjust its full year European production accordingly at the year end to reflect this sale.

## **EAST AFRICA**

### **Kenya**

In Kenya, the current phase of exploration and appraisal drilling in the South Lokichar Basin has been concluded and the focus is now on the Early Oil Pilot Scheme (EOPS) and the development of the discovered resources.

Successful exploration wells drilled in the programme were the Erut-1 well that tested and proved the northern extent of the basin and the Emekuya-1 well that further de-risked the Greater Etom structure and the northern area of the basin. The two remaining exploration wells drilled included the Etiir-1 well, which although dry, helped to understand the westerly extent of the Greater Etom Structure, and the Ekales-3 well which tested an undrilled fault block adjacent to the Ekales field. While reservoir and oil shows were encountered, the well was deemed non-commercial.

Appraisal drilling has also been a key focus of the programme in 2017. Appraisal wells were drilled at Ngamia-10 and 11, Amosing-6 and 7 and Etom-3 and all the wells have improved the definition of the limits of their respective fields. The final well in the programme was the Amosing-7 appraisal well and the Marriott-46 rig has now been demobilised.

The Auwerwer and Lokone reservoirs in the Etom-2 well were tested utilising artificial lift and flowed at 752 bopd and 580 bopd respectively which was lower than anticipated. As a result, further technical work will be undertaken to assess how representative the tests may have been and identify potential options to increase flow rates from the Etom field.

Activity will now move to focus on collecting further dynamic data from the fields. As part of EOPS extended production, water injection testing and a waterflood pilot test utilising the Ngamia-11 well are planned for the first half of 2018. Produced oil will initially be stored, until all work is completed and necessary consents and approvals granted for the transfer of crude oil to Mombasa by road.

Tullow is now reviewing all the data from the South Lokichar basin and in the first quarter of 2018 intends to give its assessment of Contingent Resources and plans for developing the basin.

A Joint Development Agreement (JDA), setting out a structure for the Government of Kenya and the Kenya Joint Venture Partners to progress the development of the export pipeline, was signed on 25 October 2017. The JDA allows important studies to commence such as FEED, Environmental and Social Impact Assessments (ESIA), as well as studies on pipeline financing and ownership. Upstream FEED and ESIA's are expected to commence in the first quarter of 2018.

### **Uganda**

Tullow's farm-down in Uganda continues to progress with the signature of the pre-emption documents by the Joint Venture Partners. The Joint Venture Partners have officially notified the Government of Uganda, seeking its approval of the transaction. Tullow now anticipates that the farm-down with Total and CNOOC will complete in the first half of next year with cash payment on completion and payment of deferred consideration for the pre-completion period (including the whole of 2017) being received in 2018. The Joint Venture partners are working towards reaching FID in the first half of 2018; at which point Tullow's second cash instalment from the farm down will be received. In line with its post-transaction status, Tullow has been reducing its footprint in Uganda and is preparing for a non-operated presence only.

Operational activity is continuing as planned, with FEED and ESIA's for both the upstream and pipeline progressing in line with the FID schedule. Discussions on the pipeline project continue with both Governments supporting progress on the key commercial and transportation agreements. Commitment to the pipeline project was marked by both the Ugandan and Tanzanian Governments in August when a foundation stone was laid by the Presidents of each country at the Tanga Port in Tanzania. Two further ceremonies are planned for this month where a cross-border stone will be laid at the Uganda-Tanzania border and a foundation stone will be laid in Hoima, Uganda.

## **NEW VENTURES**

### **South America**

In October, the Araku-1 exploration well in Suriname was drilled to a total depth of 2,685 metres and no significant reservoir quality rocks were encountered. The well has been plugged and abandoned. Logging and sampling proved the presence of gas condensate, which in combination with high quality 3D seismic data, has de-risked deeper plays

which offer significant future exploration potential in the Group's acreage. The well was drilled safely and under budget with a net cost to Tullow of c.\$11 million.

In August, Tullow completed the farmout of a 20% equity in the Block 47 license offshore Suriname to Ratio Petroleum.

3D seismic acquisition in Guyana concluded in September. Processing of data acquired is in its early stages to mature and rank identified prospects for future potential drilling.

In Jamaica, Tullow entered into the next phase of the Walton Mourant license in October 2017 and will acquire a 2,100 sq km 3D survey in 2018.

## Africa

In October 2017, Tullow announced that it had signed four new onshore licences (CI 518, CI 519, CI 301 and CI 302) in Côte d'Ivoire. The licences cover 5,035 sq km and a full tensor gradiometry gravity survey will begin in 2018.

In Mauritania, a 3D survey in Block C3 to cover new shallow water plays began in September 2017 and has now concluded. Tullow will also relinquish its interest in Block C-10 at the end of November. The Partnership are exiting at the end of the second exploration period as insufficient commercial justification could be made to enter into a third phase of the licence.

In Zambia, a 20,000 sq km full tensor gradiometry gravity survey and passive seismic survey to cover frontier Tertiary age rift basins finished in October 2017. The data from all the surveys is now being assessed.

In Namibia, Tullow completed the farmout of a 30% interest in the PEL37 license to ONGC Videsh in October.

## Financial update

Tullow formally commenced the re-financing of its Reserves Based Lending facility in October and is on schedule to complete the process before the end of the year. At 31 October 2017, Tullow had net debt of \$3.6 billion, down from \$3.8 billion at the Half Year, and unutilised debt capacity and free cash of approximately \$1.2 billion.

Forecast capital expenditure for the year has reduced to approximately \$0.3 billion (net of accrual reversals) following a reduction of approximately \$60 million made across the Group's East African assets. This Group forecast includes expenditure of approximately \$65 million in Uganda which will be reimbursed once the farm-down completes next year.

Strong production and higher oil prices for much of the second half of the year continues to positively impact cash flow generation, and for the Full Year 2017, the Group expects to generate around \$0.4 billion of free cash flow.

## Derivative instruments update

As at 31 October 2017, the Group's oil hedge position to the end of 2019 was as follows:

Hedge position	2017	2018	2019
Oil hedges			
Volume (bopd)	42,500	38,500	17,732
Average floor price protected (\$/bbl)	60.32	51.29	47.82

## Notes to Editors

Tullow is a leading independent oil & gas, exploration and production group, quoted on the London, Irish and Ghanaian stock exchanges (symbol: TLW). The Group has interests in over 80 exploration and production licences across 17 countries which are managed as three business delivery teams: West Africa, East Africa and New Ventures.

### FOR FURTHER INFORMATION CONTACT:

<b>Tullow Oil plc</b> <b>(London)</b> (+44 20 3249 9000) Chris Perry George Cazenove Nicola Rogers	<b>Murray Consultants</b> <b>(Dublin)</b> (+353 1 498 0300) Pat Walsh Joe Heron
---	---