Fieldwood production leaps with Noble buy

Company sees value in deepwater Gulf of Mexico exploration

Houston—Private Gulf of Mexico operator Fieldwood Energy will see its producing asset base increase by more than 30% with the $710 million purchase of Noble Energy's deepwater GOM assets, its CEO said.

- **Includes fields producing 25,000 boe/d**
- **CEO says deep US Gulf economics work**
- **Wanted to grow in deepwater 'for some time'**

And at a time when the Gulf of Mexico has become a neglected basin in the last few years as operators have focused on the glitz of quick-return onshore unconventional fields, the US Gulf still has attractive economics, Matt McCarroll told Platts in an interview.

"The deepwater Gulf is an area we'd been wanting to grow in for some time," McCarroll said.

"Our operating costs were substantially less than $20 a barrel, and after the acquisition will go down even further," he added. "After general and administrative costs and interest, it's probably less than $30 [per barrel]."

Noble's deepwater Gulf assets produced about 25,000 b/d of oil equivalent in the third quarter of 2017. Fieldwood's production is currently around 80,000 boe/d, McCarroll said.

Noble, a longtime US Gulf explorer, said last week it would sell its deepwater assets to Fieldwood, including six producing fields—Big Bend, Dantzler, Gunflint, Ticonderoga, Swordfish, and Galapagos, all offshore eastern Louisiana. It also has two discoveries, Katmai and Troubadour, and operates the Thunder Hawk and Neptune producing spar.

Fieldwood will acquire all these assets, as well as several dozen exploration leases. McCarroll said the company's operating program has not been made public, but it plans "a number" of US Gulf exploration and development wells this year.

The company, which is currently undergoing a corporate restructuring after accumulating what he called "too much debt" during the recent two-year industry downturn, also plans to resume participation in offshore US Gulf lease sales after it emerges from Chapter 11 within 60 days.

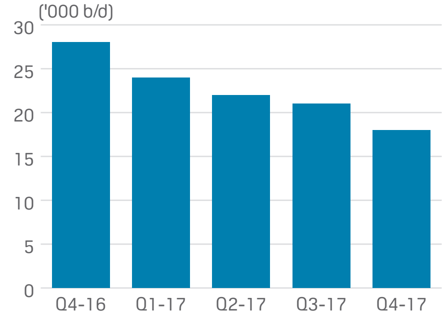
Fieldwood has also brought its operating costs down by over 35% since 2015, McCarroll added.

'Logic' in US Gulf asset sale

"We see the logic [of Noble's Gulf of Mexico sale] here as the asset was later in its life cycle, and facing 15%-plus annual declines," Evercore ISI Group analyst Stephen Richardson said in an investor note.

Fieldwood was created in 2012 with private equity money and the following year purchased Apache Corp's shallow water Shelf assets for $3.75 billion as the large operator exited its legacy Gulf operation to focus on US onshore fields.

Of the $710 million purchase price for the Noble assets, $430 million is in cash. Fieldwood assumes abandonment obligations for the properties, which Noble said had a book value around $230 million at year-end 2017.



Source: Noble Energy

In addition, Noble will receive a cumulative contingent payment of up to $100 million from the transaction closing date through the end of 2022, at a rate of $2/b produced when the average Louisiana Light Sweet oil price tops $63/b.

Many upstream companies exited the Gulf of Mexico deepwater as US shale activity ramped up starting in the early-to-mid 2000s, mainly in shale gas fields.

When producers began shifting their activity to producing shale oil around 2009-2010 as the price of oil ramped up to $90s/b and $100s/b, it was a boon to those still operating in the US Gulf as technology provided better imaging of large oil reservoirs hidden deep beneath salt canopies in remote areas offshore.

The deepwater Gulf abounded in new field discoveries for several years after 2009. But as oil prices weakened and then plunged in late 2014, the offshore US nearly became a ghost town as wildcat exploration virtually dried up.

Majors and a few dedicated operators that focused in the play concentrated on hunting for new oil near existing fields that had more of a chance of success and could be easily connected to existing infrastructure. In contrast, big stand-alone developments with new infrastructure carried multibillion-dollar price tags and took as much as a decade to complete.

Noble, which has large operations in the Permian Basin, DJ Basin, and Eagle Ford Shale, said it will use proceeds from sale of its US Gulf assets to buy back $750 million of its shares, as part of its plan to return more cash to shareholders – a move producers are increasingly making as crude oil has shot through $60/b this year.

Noble now plans to turn its attention to its US onshore unconventional assets and also the giant offshore gas fields it has discovered in the Eastern Mediterranean.

The company has a legacy in the US Gulf stretching back to the 1960s, but made its first deepwater US Gulf discovery in 2001 at the Lost Ark prospect offshore Texas in 2,700 feet of water.— Starr Spencer

Noble Energy unveils three-year plan to boost sales

Houston—Noble Energy unveiled an ambitious three-year plan on Tuesday to raise company sales volumes nearly 75% from its core US onshore plays and the Eastern Mediterranean by 2020, while generating what its executives called "substantial" free cash flow.

Noble turned out 381,000 b/d of oil equivalent sales volumes in 2017 that included 104,000 b/d of crude oil and condensate. Pro forma for divestitures, sales volumes were 303,000 boe/d last year.

But that should rise to an estimated 348,000 boe/d in 2018, 400,000 boe/d in 2019 and 525,000 boe/d in 2020 as productivity jumps from enhanced well completions from the DJ Basin in Colorado and the West Texas Permian Basin, and startup of the giant Leviathan field offshore Israel in 2020.

In the meantime, "more than 95% of our capital [over that period] will go to our US onshore and Eastern Med businesses," Noble CEO Dave Stover said during a quarterly earnings conference call. "Our outlook is centered around a $50/b oil price."

Potentially, sales volumes could be around 625,000 boe/d in 2023, Noble's three-year outlook presentation said.

By 2020, more than 50% of sales volumes should come from US onshore liquids, up from 30% in 2015, Stover said.

Much of that liquids growth stems from Noble having divested non-core gas-oriented operations, largely the Marcellus Shale in Pennsylvania, as well as making two significant acquisitions in recent years that bolstered its oil-weighted presence — Rosetta Resources in 2015 that marked Noble's entry into the Permian Basin and Eagle Ford Shale in South Texas, and Clayton Williams Energy last year that bulked up its western Permian profile.

Company volumes are expected to grow 20%/year over the three years from 2018-2020, while it will spend roughly $2.8 billion of annual capital over that period, Stover added. By contrast, the company had set $2.450 billion of capex for 2017. — Starr Spencer

