

GULF OF MEXICO

Fieldwood to develop Ichalkil

US player set to **file** plans with Mexican regulator while its **assets** in **US sector** of the Gulf also look **promising**

KATHRINE SCHMIDT

Houston

US independent Fieldwood Energy is planning to develop Mexico's Ichalkil field in the shallow waters of the Gulf of Mexico.

"We've completed our appraisal plan with very, very good results. We have notified (Mexico's National Hydrocarbons Commission) CNH we are going to enter the development phase of that plan," chief executive Matt McCarroll told Upstream.

"We will be filing that development plan with the CNH in the coming months."

The decision to move forward was not unexpected, given that Fieldwood had been carrying out production tests for some time at Ichalkil.

However, the company has now worked out balance sheet issues with creditors after a tough stretch during the oil-price drop, with a pre-packaged Chapter 11 bankruptcy protection plan having been recently approved by a Houston court to recapitalize the company.

Fieldwood landed the block in 2015 in a consortium with domestic independent Petrobal after Mexico's reforms to open the sector to private participants.

It won the acreage in Round 1.2 that was designed to appraise and potentially develop discoveries already made by state oil company Pemex.

McCarroll did not elaborate on what the company believes it has on its hands, but said it was comparable to results from other companies that have carried early exploration work in the country's shallow waters.

"It's safe to say we believe reserve size and the production potential of our field is as big or bigger as anything that's been announced in south-east Mexico after the reforms," he said.

Italy's Eni, which won the nearby Contractual Area 1 containing Amoca, Mizton and Tecoalli, last December increased its resource estimate to 2 billion barrels of oil equivalent.

It is currently running a tender for a new floating production, storage and offloading unit and has set an ambitious goal for first oil in early 2019.

Argentina's Pan American Energy has not provided detailed results after drilling in the Hokchi area, but as with Eni, has also submitted a development plan.

Fellow private equity-backed player Talos Energy has said its gross estimate of in-place resource at its groundbreaking Zama wildcat was between 1.4 billion and



Commitments: Fieldwood Energy chief executive Matt McCarroll

Photo: FIELDWOOD ENERGY

2 billion barrels, but the discovery must be evaluated further in conjunction with Pemex, which operates a neighbouring block that also hosts part of the accumulation.

For its part, McCarroll has said that Fieldwood is weighing different development schemes.

One of the big questions will be whether the company expects to install its own pipelines or tie in wholly or partially to existing Pemex infrastructure, or head a different direction with an FPSO.

"We've got a number of options there," he said.

On the US side of the Gulf of Mexico, Fieldwood is also eager to get to work on assets it recently acquired from fellow US independent Noble Energy, a deal worked out in conjunction with its pre-packaged bankruptcy protection plan.

The asset purchase combined with Chapter 11 process represented a novel approach for the company, which is backed by private equity outfit Riverstone.

However, the deal won approval from lenders and the court, settled outstanding trade debt and closed within about 45 days from

the initial announcement. According to Fieldwood, the company raised \$525 million of capital to fund the acquisition and provide general working capital, while reducing its debt by \$1.6 billion and eliminating \$134 million in annual cash interest.

"The restructuring process was not a business issue, it was a balance sheet issue," McCarroll insisted.

"All of our lenders were very positive on the company. We got commitments to invest new capital."

Noble's package includes the relatively recent tieback developments of Big Bend, Dantzler and Gunflint, as well as a range of other assets.

Among them is the Katmai discovery previously made by Noble in Green Canyon Block 40, which Fieldwood sees as a tieback for the South Timbalier 308 facility it operates.

"We had been negotiating with Noble for some time to be the host facility at that development," McCarroll said. "We will be drilling a well there in the next six to 12 months."

Katmai represents an opportu-

nity in the range of 100 million barrels, the company believes.

The Noble assets added about 25,000 barrels of oil equivalent per day to the company's previous output of about 70,000 boepd.

The assets also represented a relatively low plug and abandonment liability figure of \$225 million, with no work scheduled before 2021 at the earliest.

The assets are generating "a lot of cash flow" at present, and Fieldwood aims to use those resources to develop other projects that had previously been put on hold, according to McCarroll.

As for its forward-looking plan, the company is not ruling out new acquisitions, and also looking to the scope of exploration and development opportunities offered by its portfolio.

"We've got drilling opportunities on legacy shallow water, as well as new opportunities," McCarroll said.

Fieldwood also prides itself on efficient and timely plug and abandonment practices for shallow-water legacy assets.

According to McCarroll, since the company was formed in 2013 it has spent nearly \$1.2 billion

decommissioning 285 platforms, 964 wells, and 310 pipelines, and is committed to "safely and responsibly" continuing such work.

Net asset retirement obligations have been reduced by about \$1.5 billion as the company showed the ability to complete the work at lower costs than previously estimated.

Previous government assessments of those obligations were nearly double what the company spent, McCarroll said.

After several years of tense negotiations with regulators over how much money should remain set aside to ensure taxpayers do not fund the clean-up of depleted fields, McCarroll sees a shift in tone under US President Donald Trump's administration.

The current Bureau of Ocean Energy Management is reviewing Obama-era policies on plug and abandonment that had rankled especially smaller explorers in the US sector of the Gulf of Mexico.

"They've been very supportive," he said of government officials, adding that the relationship feels like a "win-win situation for the first time in a long time".