

## Q&amp;A

## Fieldwood CEO Optimistic After Noble Deal

*Privately held Fieldwood Energy made its name as a shallow-water producer in the US Gulf of Mexico but expanded into deepwater with the acquisition of Noble Energy's portfolio last year (EIF Feb.21'18). The company is also set to be among the first foreign operators to produce oil in Mexico. Like other smaller Gulf players, Fieldwood has begun partnering with majors such as Chevron and BP in exploration and development projects. CEO Matt McCarroll spoke with Energy Intelligence about the company's growing influence in the second most productive US region outside the Permian Basin (EIF Jan.16'19).*

**Q: Since you completed the Noble acquisition and have had a chance to dig into those assets, do you feel like your strategy has changed in terms of how you view your opportunity set?**

A: It's frankly worked out better than we thought. While the shelf will always be a significant part of our business — we've still got 250 million barrels of reserves to produce there — the deepwater is becoming more and more of a focus for us. This year 80%-plus of our capital will go to deepwater. A year ago, when we bought the Noble assets, we were [about] 70-30 shelf production to deepwater. And I see that getting very close to 50-50 in the first quarter of next year and probably flipping, by the end of next year, to kind of 70-30 deepwater to shelf. And that's not a goal, that's just kind of the way it's working out. We're looking at [deepwater] drilling and completion costs, on a per-barrel basis, of \$10-\$12. And more importantly, lease operating costs of less than \$5 a barrel, because we're tying them back to existing producing facilities that we own and operate ... We could have six new deepwater wells on production between November and May of next year, which I would argue no deepwater operator has ever done.

**Q: You're clearly branching out into new types of opportunities. Obviously doing more in deepwater, and with Chevron [at Clingmans Dome], I assume this is going to be your first Norphlet test?**

A: It is. So our deepwater strategy [is to] drill analogous prospects close to known production. So we're not wildcatting. We're drilling wells that we believe can be drilled, completed and hooked up to first production within 18 months ... And we're limiting our dry hole cost to, you know, \$25 million-\$40 million, so we're not betting the ranch on any one well. Now, we're going to stick with that strategy. But when we get an opportunity like this Norphlet prospect, which is in the hundreds of millions of barrels ... doing a few of these once in a while is a great supplement to our defined strategy. We view Chevron as kind of the leader in the Norphlet play with the discoveries they've had (EIF Aug.22'18). And they came to us and said, we want to drill this and we want to move it up to the top of our list and we'll drill it at the end of this year or early next year.

**Q: You have a partnership with BP as well ... Why do you think these companies are now more receptive to working with smaller companies like Fieldwood (EIF Mar.27'19)?**

A: Well, there were 12 or 13 operators drilling deepwater wells in the Gulf of Mexico this month, and that includes BP, Shell and Chevron. So the other 10 are guys like us. And we own infrastructure, we own leases. We have quality technical teams. I'm not speaking for BP and Chevron, but I think they see advantages in partnering with guys like us, with LLOG, with Kosmos, with Talos, and they can learn things from us too. And we bring smart people and good assets to the table.

**Q: Let's talk Mexico for a minute. What stage are you at with your projects down there?**

A: We've got our development plan approved. It was the first development plan approved by the new administration, in the first quarter of this year. We are currently set to install jackets in the water at the end of this month (November). And we will have the first drilling rig show up in December. The second drilling rig shows up in February, March. And we will drill and complete probably six development wells, complete the first two wells that we drilled in the appraisal plan and hope to have first production very late 2020 or very early 2021.

**Q: Given some of the rhetoric that has come out of the new Mexican administration, do you see a greater degree of political risk than there may have been when you entered?**

A: I think a lot of people were concerned right at the election last summer that there was going to be a risk to some of the contracts. We haven't seen that. I frankly think the suspension of future bid rounds is a positive. And I'll tell you why — when we were awarded our block in 2016, there were four operators at the end of our round. There are now 30. It still takes a long time, and it's an extensive process to get plans approved, to get permits approved. You've got to go through a lot of agencies and the governmental agencies in Mexico are kind of doing this for the first time as well. And so there's a lot of wells to be drilled over the next two to five years. And it's the same people that are holding bid rounds that are approving plans and everything else. I think it would be a quagmire, frankly. So I think having some activity, having some success, seeing some production is going to be good for the process. If you believe what CNH [National Hydrocarbons Commission] has said, our field (Ichalkil) will be the second-largest producing field in Mexico by 2025.

**Q: Sticking with political risk, on [the US] side of the Gulf, what happens to the Gulf of Mexico, or to Fieldwood, if there's a new party in power in 2020 and they actually implement something like an offshore drilling ban?**

A: Well, that's a great question. It's amazing how often we're asked that recently. First of all, saying you're going to do it and doing it are two different things. So I don't think it's as easy as people might say it is to enact something that would be as drastic as to stop drilling on federal lands or ban fracking or whatever. I said this a bit tongue in cheek at an investor event a month or so ago, and the more I've said it and the more people listen, I'm not sure it's completely inaccurate, but if there's a drilling ban, a fracking ban, whatever gets momentum, I think that sends oil over \$100/bbl. There's a very small risk that they would be able to stop us from producing existing wells. And we've got a lot of existing wells ... We'll make a bunch of money. So it may not be the worst thing in the world. ■