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# EDITED TRANSCRIPT

Tullow Oil PLC to Discuss the Results of Its Jethro-1 Exploration Well Call

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### CORPORATE PARTICIPANTS

**Ian Cloke** *Tullow Oil plc - EVP of New Ventures*  
**Nicola Rogers**; **Investor Relations Manager**  
**Paul McDade** *Tullow Oil plc - CEO & Executive Director*

### CONFERENCE CALL PARTICIPANTS

**Alwyn Thomas** *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*  
**Christopher Courtenay Wheaton** *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*  
**Duncan Gregor Milligan** *Goldman Sachs Group Inc., Research Division - Equity Analyst*  
**Mark Wilson** *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*  
**Michael J Alsford** *Citigroup Inc, Research Division - Director*  
**Thomas Henry Martin** *Numis Securities Limited, Research Division - Analyst*

### PRESENTATION

#### Operator

Good morning, ladies and gentlemen, and thank you for standing by. Welcome to today's Tullow Oil Conference Call. (Operator Instructions) I would now like to hand the conference over to your speaker today, Paul McDade. Please go ahead.

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#### **Paul McDade** *Tullow Oil plc - CEO & Executive Director*

Good morning, everyone. Thanks for joining the call this morning. I'm here with Ian Cloke, our Executive Vice President for New Ventures, who many of you will know.

Normally, we wouldn't do a call of a single result like this, but given the significance of the result in itself and the potential within Guyana, we thought it was worthwhile giving a little bit more detail. We will take the opportunity to walk through this first well result, which many of you have been patiently, as we have, waiting for the results for a number of months. It's clearly an exciting and potentially transformational moment for Tullow as we made this first discovery in Orinduik from the first well we've drilled, Jethro-1. It's come from a lot of hard work. Over a number of years, we were very early entrants into this area, and that allowed us to secure effectively the prolific acreage that we have and high-premium acreage that we have in, obviously, sub-Saharan and Exxon has made it a global hotspot for the industry. So the New Ventures team were working this for a number of years. And as we've reset the portfolio, this is something we've absolutely retained in the portfolio and retained at very high equities as well.

So we've got few slides to walk through, which are on the website. And then as the introduction, we'll have some limited Q&A.

So we move straight to Slide 2, headed introduction to Guyana. Many of you will be familiar with the picture in front of you. But anyone who's new to Guyana, obviously, Guyana has become an industry hotspot following the significant discoveries in the Stabroek block next door with, I think, it's over 6 billion barrels of oil equivalent discovered to date.

And as you can see on the map, Tullow sits with the acreage up-dip of the main Liza discoveries. The whole area appears to be characterized by excellent quality reservoirs and then other water depths, which are shallower. This should lead to relatively standard, kind of, mid-deepwater to shallow water development options in the events of the discoveries such as Jethro.

The exploration campaign, as I said, in Guyana has been a decade in the making. We're very well positioned in, as I said, what is an industry hotspot. And I think it was -- I think, as Angus McCoss would say, you always want to be in a hotspot before it becomes a hotspot, and that's what we were able to do by this early positioning for the team. We highly appreciate the government's strong support for its rapidly expanding new oil industry, I was down there just a few months ago. And it's very clear that we do have a very supportive government, certainly in the support -- the way in which Exxon are moving forward smoothly with their new developments in Guyana as well as the ongoing exploration, and that's certainly what we've experienced in our work. We accelerated this program, and we had much support from the government and as we accelerated the wells to drill them at this time in 2019.

As you'd expect in a frontier area, the terms are favorable. So given the water depths that we are in and the types of developments one would expect, we anticipate that these barrels should be high-value.



So with that introduction, I'll hand over to Ian, who can give a bit more color on the discovery we've made today.

**Ian Cloke Tullow Oil plc - EVP of New Ventures**

Thank you, Paul. Good morning, everybody. I'll move on to Slide 3, and the one titled, Jethro is the first success in Tullow's acreage. So this slide is a cross-section through our blocks. It goes from the left-hand side of the west side through the Kanuku block through Orinduik, which is where we have drilled this well into the Stabroek Block. And you can see on the right-hand side, in the east, the Hammerhead discovery in Stabroek.

Now both of these blocks cover over 7,000 square kilometers, or for those of you who work in North Sea, it's 1.5x the size of a U.K. quadrant to put it in perspective.

The acreage that we have from the left-hand side to the right-hand side of slide covers the terrace continental slope, which is up-dip of the Liza discoveries. And both blocks, as you can see from the cross section, shown in orange, have multiple Cretaceous and Tertiary age prospects.

So in terms of the acreage. In Kanuku, we have a 37.5% nonoperated position. And in this block, we'll be targeting in the light brown section, the Cretaceous prospect, Carapa, which is an analogue to the Liza discovery. And that well will be spudding in September.

In Kanuku, we see over 1.5 billion barrels of gross unrisks resources on this block.

So now moving across to Orinduik, where we've just drilled the [transfer] well. We have a 60% interest, and we negotiated this license back in 2014, find it in 2016. And with the first well on the license we've made the -- an oil discovery in the Lower Tertiary, so that's shown in the gray section. And you can see the Jethro discovery, which is sitting just up -- along trench from Hammerhead.

If you look to the left, you'll see the Joe prospect, which is shown in the light brown. And that will be the prospect that we move on to next when we finish on this well, and we'd expect to see a result on Joe at the end of September.

So on Orinduik, we see this block as having over 2.5 billion barrels of gross unrisks potential between the Cretaceous and Tertiary.

So overall, just wrapping up this slide. We've matured 2 excellent positions in this highly prolific basin, and we're very excited with the first well on the block, the Jethro-1 result.

So if we move on to Slide 4. This gives a little bit more detail on the discovery itself. You can see, Jethro highlighted in the red dotted blocks. It is a significant oil discovery, and it's exceeded our expectations. We've encountered over 55 meters of net oil pay in what is an excellent quality reservoir.

From the looks, it appears to be a single amalgamated sandstone reservoir unit. And we expect Jethro to exceed our predrill expectation, which was around 100 million barrels and with further potential upside following appraisal.

We've discovered a high-quality oil-bearing sandstones and this builds our confidence of potential future development of this and future discoveries.

In terms of the drilling, it's [run on] time. And with the success, would just take us over 50 days and is on budget.

In terms of what this means for the rest of the block, well, this result increases our chance of success at the adjacent Jethro channel, and we'll consider this as part of the forward plan as we start drawing up appraisal plans for the discovery.

We're encouraged that our predrill seismic modeling and inversion models match almost exactly the post-drill result. We did a lot of preparation ahead of the drilling in the case of success. And now we'll be talking with our partners and the ministry, and we'll be looking

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to progress work on the appraisal, which will probably include a [wireline] test sometime in the near future.

So overall, an excellent result on many fronts. It's early days. Results indicate that there is strong development potential for the discovery, considering the high quality of the reservoir and good license terms.

And in the coming months, we'll be working to both [plan] the appropriate appraisal program and start fulfilling the optimal development options for this resource.

We've got 2 more slides. Slide 5 is derisking of the Tertiary play. And this is a 3D diagram. It's -- what does the Jethro discovery do? Well, it's an excellent first step to unlocking the broader resources across this acreage in both Orinduik and Kanuku.

In terms of the play and what we chose to do here, the drilling program this year has been very deliberately chosen. We have the selected to target 3 different play types in 2019, and the Jethro play is -- has significantly derisked elements of the Lower Tertiary.

Well, let's calibrate our seismic to the other Lower Tertiary prospects across the license. And the Jethro result helps us derisk Joe, since we understand the AVO and the DHI more fully. But I will emphasize, this is still independent, Joe's independent, and it is a separate play type in a younger interval to the west in what is still an unproven area for license.

In terms of the Cretaceous, this result doesn't have a direct impact on Carapa, which test the deeper Cretaceous play. We remain enthusiastic, though, of its potential after this initial success.

So in terms of the last slide as we move on to the next steps. What does this mean for the Guyana exploration? We've got the pie chart in the top left, where you can see the significant number of Tertiary and the significant number of Cretaceous with the volumes.

We're able to put a tick on our first well on the left, which is great. And we hope more segments in the pie green as we drill the next wells.

The rig will move -- shortly move to -- the rig move to Joe. And then, as we said, we will expect results on that at the end of September. And then Carapa, that's being drilled by Repsol, which we have not operated. And that's a jack-up well, and that will commence in September with results in Q4.

So really to summarize up, there's plenty more to come in 2019 with further drilling and evaluation of this first result, and we're very happy with the result.

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### **Paul McDade Tullow Oil plc - CEO & Executive Director**

Thanks, Ian. So the focus now is on the next wells, Joe and Carapa this year. We're obviously starting to think about 2020 and appraisal on Jethro. We had always said that even in the event of a series of dry holes, we saw further exploration potential in 2020. So you can expect us now to be thinking about both an appraisal program on Jethro and further exploration across these licenses in 2020.

Having retained the 60% in -- on the license, we're in a very strong position. And obviously, we have a material equity in Kanuku license at 37.5%. So we'll be considering next steps for both, as we go into the second half of this year. The result has been, as I said at the beginning, the result of a lot of hard work by the whole New Ventures team, and certainly, I'm very pleased for them and for this success. They've really worked tirelessly to get us into the right licenses at the right time. And obviously, we've worked very hard over the last couple of years to very carefully high grade our license inventory and be really careful about how we allocate capital to -- from within the exploration budget.

So good result. And maybe with that, we can hand over for some questions.

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### **QUESTIONS AND ANSWERS**



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### Operator

(Operator Instructions) And the first question comes from the line of Michael Alsford.

### Michael J Alsford *Citigroup Inc, Research Division - Director*

Congratulations, guys, on the result. A couple of questions from me. Just firstly, so you referenced, obviously, the Jethro channel. But if you could maybe talk more broadly across the R&D block, how much of the gross resources are directly in the Lower Tertiary play that are, obviously, being significantly derisked with the Jethro success today? And then just secondly, could you talk a bit about what you see as the commercial threshold of discovered volumes required to underpin a development in the license?

### Paul McDade *Tullow Oil plc - CEO & Executive Director*

So maybe if I could take the second one, and then Ian will talk to the more broader question, the first one. I mean, I think, we said that given the frontier terms, if we found, kind of, high-quality reservoirs in the water depth that we are in, then actually the commercial threshold here for a development is relatively low. So whilst we need to move forward and appraise Jethro, I think we have a relatively high degree of confidence at the moment that we have something already that's commercial. But let's see how the appraisal goes, but we're feeling pretty good from a commerciality and development point of view already, even just with one well.

### Ian Cloke *Tullow Oil plc - EVP of New Ventures*

Okay. And then in terms of the other ones, let's just go onto the resources as we have at the moment. In terms of the resources, about half of what we're seeing at the moment, so about -- just around 2 billion barrels is what we're seeing in the Tertiary. But the -- we need to now go back and update our interpretation, calibrate the seismic of the well and then tie that into the prospects. I mean, immediately adjacent to Jethro Lobe is the Jethro channel and the chances of success has increased on that. And from a DHI AVO perspective, this gives us more confidence now in the DHI AVO for Joe, which we will be drilling immediately afterwards.

### Operator

Next question comes from the line of Alwyn Thomas.

### Alwyn Thomas *Exane BNP Paribas, Research Division - Analyst of Oil and Gas*

Congratulations on the results this morning. A couple of questions from me. Firstly, wanted to just ask, were you able to provide details on sort of oil/gas mix, porosity levels that you saw with the well? And I guess, just following up on your comments here on the way you, sort of, structured the campaign this year, derisking the individual play types across the different levels. Does that mean -- should we expect some of the larger prospects within the blocks to be drilled next year then, a part -- as part of the program there? And is there options to keep the rig after these 2 wells? Would you look at it? Or do you think you need 2 or 3 months of, sort of, analysis before coming back to the area next year, as in you can't carry on?

### Ian Cloke *Tullow Oil plc - EVP of New Ventures*

Okay. I mean, in terms of the oil and gas mix, we caught oil samples. And on wireline testing, it flowed well, so it's reflective of a great oil pairing or the great oil pairing block, that's now off to the lab. So we're really pleased with the way that the reservoir [rock] is slowing and that you can see as a read-through on the porosity. This is very good rock.

In terms of the structure of the campaign, we've quite deliberately selected 3 independent prospects, Lower Tertiary, Upper Tertiary and then Cretaceous.

And it was -- we had a fixed end date. We're going to drill 3 wells, and then we're going to take stock. In terms of the larger prospects, right now, we need -- once -- this is the first result, first result with what we hope to be many. We have now need to integrate that and look at our CapEx for next year. But as Paul said, we will be coming back next year, and we have only to work out the correct one. And with the discovery of Jethro, looking at how we appraise it.

### Operator

Next question comes from the line of Chris Wheaton.



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**Christopher Courtenay Wheaton *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst***

Congratulations again. Question for me, please. Could you comment at all about the energy you've seen in the reservoir and the producibility or the potential producibility of the oil, or whether it's just simply too early to tell? And secondly, a question probably, Paul, for you. How does the appraisal program from here fit in the financial framework of wanting to delever with the \$500 million a year free cash flow target, if you like, or aspiration? And also, the fit into the 1x plus 1 to 2x net debt to EBITDAX target that you've set yourselves, given that clearly you have a limited amount of capital. And there's questions here about whether you should still be, perhaps, investing in East Africa, when you've got opportunities such as Guyana to get after?

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**Paul McDade *Tullow Oil plc - CEO & Executive Director***

Maybe I'll take the second one first, and then leave Ian the technical. I think the important thing for us today is that we've added something that's got some fairly significant, how you -- we believe in its own right. And there's a lot of running room. I think our focus at the moment, Chris, is on how do we best? I think the team did a great job of thinking through the campaign for this year in which 3 wells to drill. Obviously, there was many potential permutations for outcomes. But they thought about it very carefully about how to manage those various permutations, and we'll see what happens on the next 2 wells. We'll certainly be sitting back and thinking about the program for 2020, and the potential for developments and what all that means within the broader portfolio. But I think, as myself and Les have always said, we were -- we've spent a lot of time and effort restructuring the balance sheet, getting it into good shape, and we plan to keep it there. So we will continue to be disciplined about our capital allocation over the coming years. We just have now a slightly broader portfolio. And hopefully, it will get broader further as we go through this year to think about that capital allocation. So we've got many options ahead of us. We just need to carefully sit back and think through what the optimum options with respect to value.

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**Ian Cloke *Tullow Oil plc - EVP of New Ventures***

Yes. Just to answer on the aging reservoir. I really -- let's go back to the [pre-drilling]. We caught multiple oil samples over the 50 -- 55 meters of net pay. And they tested and flowed really, really well with minimum drawdown on the reservoir. They're off to the lab now, and we need to get that analysis back. Really pleased with the way that the reservoir was flowing there.

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**Operator**

Next question comes from the line of Thomas Martin.

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**Thomas Henry Martin *Numis Securities Limited, Research Division - Analyst***

Congratulations again. Looking good systematics in this note per say, very good results. Could you speak to the derisking process a little bit? You drilled the lowest risk prospects first, I suspect. And can you tell us a little bit more about how that result impacts the other horizons? For example, you've got a [level] of Tertiary well result tied to you now. Does that any way, sort of, reduce the Upper Tertiary, DHI AVO uncertainty or the rocks, sort of, materially differing there? And could I ask you on maybe on the appraisal side, you said limited appraisal. I'm taking it at that because of the consequence of the reservoir being one sand interval. You will go back and possibly test the well you just drilled and drill another well. And you're thinking then is that, that will have appraised to the possibly FID stage on Jethro, but not the channel. Is that correct?

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**Ian Cloke *Tullow Oil plc - EVP of New Ventures***

Okay. I'll go on the derisking process first. So what we have so far is we've got a result in the Lower Tertiary, and that gives us a pretty good handle now on the calibration around Jethro. So there's read-throughs to the Jethro channel. But we need to process the seismic, calibrate it. We've got various tools that we can use on that. Then in terms of the Upper Tertiary and Joe, that prospect is similar, but it is in a separate part of the block, the western part of the block.

The AVO characteristics from Jethro can be used to give us further confidence in Joe, and there's other prospects around Joe.

So the Upper Tertiary is different, but given that the AVO has worked at Jethro, it gives us more confidence on Joe.

In terms of the appraisal, you're correct, I mean, we're looking at a minimal appraisal program. And there's a reason behind that is combination of the AVO and the DHI that we have and the very thick sand that we have. So appraisal program, will be looking to pin down the oil-water contact. We haven't penetrated it in the well. We're looking from the AVO, it looks to be deeper, but it is uncertain.



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We need to process the seismic, and then we will be coming back for appraisal 1 and test.

### Operator

Next question comes from the line of Mark Wilson.

### Mark Wilson *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Congratulations, and you just answered my question actually about oil-water contact was going to be. But secondly, just to confirm, the 55 meters is a single column of sand, you say?

### Ian Cloke *Tullow Oil plc - EVP of New Ventures*

Yes. Yes. Correct. It's one single sand body. It's pretty made up of a number of channel loads but it's one single sand body. 55 meters and I think about 58-meter interval, so over 90% net to gross.

### Mark Wilson *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Okay. And just to check on the oil-water contact you just made, and just why did you stop the depths here in the well?

### Ian Cloke *Tullow Oil plc - EVP of New Ventures*

So the well can't be chosen just to drill as a tertiary objective. And it drilled through the base of the reservoir, drilled a little bit deeper, and then we were TD-ing at that stage. It really -- it was what we hoped -- or we thought that we could have an oil down to and that looks to be the case now.

### Paul McDade *Tullow Oil plc - CEO & Executive Director*

Basically, the oil-water contact, we think is deeper than where we penetrated the base of the reservoir here.

### Mark Wilson *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Right. Great. Okay. And then on -- regarding appraisal options, it sounds like it's definitely the rig, once drilled, the other wells will move back to Ghana, and maybe that rig and maybe another one comes back in 2020. But can you also speak to -- it sounds like you've got options stacking up now. Could you speak to the -- what you think the plans would be down at Hammerhead on that -- on your index side of the block?

### Paul McDade *Tullow Oil plc - CEO & Executive Director*

Yes, I think it's very early to say about the 2020 program. I mean, I think, obviously, we will need to see the result with Joe, the result at Carapa. We'll start to think about the structure of a 2020 program. What we do know is it now includes the exploration and appraisal. But it's the next 2 wells, depending on their results, we'll continue to shape the program. So I think as we go through towards year-end, we'll get a clearer idea of what our priorities are for 2020. But we probably can't see what those are right today.

### Mark Wilson *Jefferies LLC, Research Division - Oil and Gas Equity Analyst*

Has the view on Hammerhead changed since the appraisal results that have been drilled recently?

### Paul McDade *Tullow Oil plc - CEO & Executive Director*

No. Not at all. So I'd say, I think, our challenge as we look forward is going to be -- there's going to be a selection of areas that we're going to want to pursue. And then, again, I think the team has done a fantastic job because as you see from the pie chart, we had many, many prospects here, and it was about carefully selecting what order do you drill things in? And I think the team will be sitting back now with even greater choices. And again, going through the process of very carefully thinking about how do they allocate capital next year to get maximum impact and maximal, kind of, view of both development at Jethro and the further significant potential within both licenses.

### Operator

And we will now take our final question from Duncan Milligan.



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### **Duncan Gregor Milligan *Goldman Sachs Group Inc., Research Division - Equity Analyst***

Congratulations. I was just wondering, could you provide any guidance on what kind of oil has been seen? I think nearby in Liza, it's roughly a 32 API gravity crude. Is that similar to what has been seen at Jethro? And I guess, just on the kind of Jethro channel, how important is that to, kind of, affirming development concepts for the Jethro Lobe discovery that was made earlier today?

### **Ian Cloke *Tullow Oil plc - EVP of New Ventures***

Okay. I'll just go back to what we said before, on some of the oil samples. So we caught multiple oil samples over the reservoir and tested and flowed very well with minimum drawdown. They're off to the lab now, and we'll get that analysis back in the near future. I mean we're really pleased with the way that the reservoir is flowing, that's all I could say at this stage. And then in terms of Jethro channel and Jethro. At the moment, what we're seeing is Jethro as a stand-alone commercial development potentially. And what we'll do is we'll take the results, and we'll integrate it with the seismic over the Jethro channel and look it when we get the Joe result.

### **Nicola Rogers; *Investor Relations Manager***

Thanks, everybody, for joining the call. We'll now bring it to the close. But if anyone has any further questions, please contact me, Nicola Rogers, in Investor Relations, and we'll get back to you. Thank you very much.

### **Paul McDade *Tullow Oil plc - CEO & Executive Director***

Thanks very much for your time.

### **Operator**

That does conclude our conference for today. Thank you for participating. You may all disconnect.

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