THE MARGINAL FIELD DEVELOPMENT PROGRAM – AN ENTREPRENEURS PERSPECTIVE

A PRESENTATION

BY

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WALTERSMITH PETROMAN OIL LIMITED

AT

THE MARGINAL FIELD WORKSHOP SPE NAICE, 2013
1  About Waltersmith
2   Visuals
3   Funding Model
4   Critical Success Factors
5   Thoughts on the Marginal Field Program
6   Looking Forward
ABOUT WALTERSMITH PETROMAN OIL LTD

• Established in 1996 as an Exploration and Production Company.

• 2003 - Won the bid for the Ibigwe Field in OML 16.

• Field awarded to Waltersmith 70%; Morris Petroleum Limited 30%.

• Waltersmith was designated the operator of the field.

• 2004 - Executed a farm-out agreement with SPDC and NNPC.

• Installed an EPF and attained first oil in 2008 with 500 bbls of daily production.

• Attained daily production of 4,200 bbls and cumulative production of 3 million barrels in December 2012 and June 2013 respectively.

• 2012 - Participated in the Shell/Total/Agip divestment program as part of the ND Western Consortium that acquired a 45% interest in OML 34.
VISUALS - MAPS
OML 16
IBIGWE FIELD
EARLY PRODUCTION FACILITY (EPF)
WELLHEADS - Pre-takeover status

Ibidgwe - 1

Ibidgwe - 2
Export Pump

Surge Vessel

Production Manifold
EPF - SEPERATOR & LACT UNIT

Test Separator

LACT Unit
EPF - CRUDE OIL STORAGE TANKS

Slide 11
EPF – RESIDENTIAL ACCOMMODATION
DRILLING CAMPAIGN
UPGRADED FACILITIES
NEW PRODUCTION MANIFOLD
STORAGE TANKS
AERIAL VIEW OF THE FLOW STATION
2008 – JUNE 2013 ANNUAL PRODUCTION CHART

Monthly Production (bbl & mmscf * 1000)

- Oil
- Gas
- Water

- 2008: 173,380
- 2009: 385,953
- 2010: 605,969
- 2011: 612,338
- 2012: 671,680
- Jan-June, 2013: 438,706

Slide 24
OUR TEAM

Slide 25
WALTERSMITH’S FUNDING PATH

- Funding of upstream transactions are challenging because of the inherent risk in the business.

Shareholder Equity

Contractor Financing

Reserve Based Lending

Reserve Based Lending Internal Cash Flows Retained Earnings

Initial CAPEX Working Capital Office Accommodation

Consortium of Indigenous Service Providers.

Attained 500 bopd

Completed a 2 well drilling campaign

Attained 2,200 bopd

Completed a 4 well drilling campaign

Attained 4,200 bopd

Waltersmith did not farm out the field.
CRITICAL SUCCESS FACTORS

Entrepreneurial Skills
• It is a business and a Marginal Field.
• Requires Vision and Courage.

Competent People
• Lack of competence is costly.

Financial Capacity
• Essential

Health Safety and Environment Policy
• A comprehensive HSE policy is critical to the business.

Community Relations Policy & Strategy
• The community is a major stake holder in the business

Risk Management Policy
• The business is about the daily management of risk.

Corporate Governance and Organisational Structure
• Provides the framework for harnessing the resources and strategy to achieve the desired outcome.
THOUGHTS ON THE MARGINAL FIELD PROGRAM

- The Policy thrust of the Marginal Field Development Program (MFDP) was to increase indigenous operatorship in the Upstream Sector through the award of de-risked fields to Nigerian owned Companies.

- The seven Marginal Field Operators (MFO’s) currently in production have accomplished the following:

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Production</td>
<td>Over 25,000 bopd</td>
</tr>
<tr>
<td>Cumulative Production</td>
<td>Over 15mmbbls</td>
</tr>
<tr>
<td>Installed Crude Processing Capacity</td>
<td>Over 50,000 bopd</td>
</tr>
<tr>
<td>Installed Gas Processing Capacity</td>
<td>300MMSCF/day</td>
</tr>
<tr>
<td>Estimated Total Investments</td>
<td>Over $500M</td>
</tr>
<tr>
<td>Estimated Total Revenue Generated</td>
<td>Over $1B</td>
</tr>
<tr>
<td>Refining Capacity</td>
<td>120,000 litres of diesel/day</td>
</tr>
</tbody>
</table>

- 2 Companies have proposed to establish refineries with a combined processing capacity of 10,000 bopd
OUR THOUGHTS ON THE MARGINAL FIELD PROGRAM

• The Companies have also made discoveries and proved up reserves in these assets.
• Platform, Waltersmith and NDPR have invested over $1B for the acquisition & development of assets divested by SHELL.
• The program has also produced an Indigenous female CEO in the upstream sector.
• These are significant contributions to the sector and the economy.
• The accomplishment of the seven Companies indicates increased capacity of indigenous Companies to manage Oil Assets.
• The Governments strategy of growing NPDC as a National Oil Company and the policy of increasing indigenous participation in the upstream sector through the Marginal Field Development Program should not be considered as mutually exclusive.
• The successful model of Seplat (Operator) and NPDC JV model should be encouraged.
• Successful MFO’s should be considered competent candidates to operate assets jointly or act as Production Sharing Contractors with the NOC.
• Marginal Fields are now in the top 10 of Indigenous Operators.
## Nigeria's Top Twenty Indigenous Crude Oil Producing Companies

### Average Daily Production as of January 30, 2013

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Operated Production</th>
<th>Equity Production</th>
<th>Gross Production</th>
<th>Acreages</th>
<th>Licence Type</th>
<th>Key Producing Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPDC</td>
<td>130,000BOPD</td>
<td>102,350BOPD</td>
<td>130,000BOPD</td>
<td>OMLs 38, 41, 65, 66, 111, 119</td>
<td>JV, PSC</td>
<td>Okono</td>
</tr>
<tr>
<td>SEPLAT</td>
<td>45,000BOPD</td>
<td>18,900BOPD</td>
<td>45,000BOPD</td>
<td>OMLs 38, 41</td>
<td>JV, PSC</td>
<td>Ovhor, Sapele</td>
</tr>
<tr>
<td>CONOIL</td>
<td>25,000BOPD</td>
<td>25,000BOPD</td>
<td>25,000BOPD</td>
<td>OMLs 59, 103</td>
<td>Sole Risk</td>
<td>Otuo South</td>
</tr>
<tr>
<td>MIDWESTERN</td>
<td>13,000BOPD</td>
<td>4,550BOPD</td>
<td>13,000BOPD</td>
<td>Umusadege</td>
<td>Marginal Field</td>
<td>Umusadege</td>
</tr>
<tr>
<td>PAN OCEAN</td>
<td>8,000BOPD</td>
<td>3,200BOPD</td>
<td>8,000BOPD</td>
<td>OML 98</td>
<td>JV</td>
<td>Ogharefe</td>
</tr>
<tr>
<td>MONI PULO</td>
<td>4,200BOPD</td>
<td>4,200BOPD</td>
<td>4,200BOPD</td>
<td>OML 114</td>
<td>Sole Risk</td>
<td>Abana</td>
</tr>
<tr>
<td>WALTERSMITH</td>
<td>3,700BOPD</td>
<td>3,700BOPD</td>
<td>3,700BOPD</td>
<td>IBIGWE FIELD</td>
<td>Marginal Field</td>
<td>Ibigwe</td>
</tr>
<tr>
<td>ENERGIA</td>
<td>3,500BOPD</td>
<td>3,500BOPD</td>
<td>3,500BOPD</td>
<td>Ebendo</td>
<td>Marginal Field</td>
<td>Ebendo</td>
</tr>
<tr>
<td>ALLIED ENERGY</td>
<td>3,000BOPD</td>
<td>3,000BOPD</td>
<td>3,000BOPD</td>
<td>OML 120</td>
<td>Sole Risk</td>
<td>Oyo</td>
</tr>
<tr>
<td>AMNI PETROLEUM</td>
<td>3,000BOPD</td>
<td>10,000BOPD</td>
<td>20,000BOPD</td>
<td>OML 112</td>
<td>Sole Risk</td>
<td>Okoro</td>
</tr>
<tr>
<td>PILLAR OIL</td>
<td>2,700BOPD</td>
<td>2,700BOPD</td>
<td>2,700BOPD</td>
<td>UMUSETI</td>
<td>Marginal Field</td>
<td>Umusati</td>
</tr>
<tr>
<td>NIGER DELTA</td>
<td>2,500BOPD</td>
<td>2,500BOPD</td>
<td>2,500BOPD</td>
<td>OGBELE FIELD</td>
<td>Marginal Field</td>
<td>Ogbele</td>
</tr>
<tr>
<td>BRITANNIA U</td>
<td>2,200BOPD</td>
<td>2,200BOPD</td>
<td>2,200BOPD</td>
<td>AJAPA FIELD</td>
<td>Marginal Field</td>
<td>Ajapa</td>
</tr>
<tr>
<td>PLATFORM</td>
<td>2,100BOPD</td>
<td>2,100BOPD</td>
<td>2,100BOPD</td>
<td>EGBEOMA FIELD</td>
<td>Marginal Field, JV</td>
<td>Egbeoma, Ovhor, Sapele</td>
</tr>
<tr>
<td>SHEBAH</td>
<td>2,000BOPD</td>
<td>800BOPD</td>
<td>2,000BOPD</td>
<td>OML 108</td>
<td>Sole Risk</td>
<td>Ukpokiti</td>
</tr>
<tr>
<td>DUBRI</td>
<td>200BOPD</td>
<td>200BOPD</td>
<td>200BOPD</td>
<td>OML 96</td>
<td>Sole Risk</td>
<td>Giti Gili</td>
</tr>
<tr>
<td>SAPETRO</td>
<td>NIL</td>
<td>26,250BOPD</td>
<td>175,000BOPD</td>
<td>OML 130</td>
<td>Sole Risk</td>
<td>Akpo Field (Deepwater)</td>
</tr>
<tr>
<td>FAMFA</td>
<td>NIL</td>
<td>25,000BOPD</td>
<td>250,000BOPD</td>
<td>OML 127</td>
<td>Sole Risk</td>
<td>Agbami Field (Deepwater)</td>
</tr>
<tr>
<td>NIGER DELTA WESTERN</td>
<td>NIL</td>
<td>18,000BOPD</td>
<td>40,000BOPD</td>
<td>OML 34</td>
<td>JV</td>
<td>Ughelli, Warri River</td>
</tr>
<tr>
<td>OANDO ENERGY RESOURCES</td>
<td>NIL</td>
<td>5,000BOPD</td>
<td>5,000BOPD</td>
<td>OML 125, Ebendo</td>
<td>PSC, Marginal Field</td>
<td>Abo Field (Deepwater)</td>
</tr>
<tr>
<td>FIRST HYDROCARBON</td>
<td>NIL</td>
<td>4,950BOPD</td>
<td>11,000BOPD</td>
<td>OML 26</td>
<td>JV</td>
<td>Oginí</td>
</tr>
<tr>
<td>EXPRESS PETROLEUM</td>
<td>NIL</td>
<td>1,200BOPD</td>
<td>2,000BOPD</td>
<td>OML 108</td>
<td>Sole Risk</td>
<td>Ukpokiti</td>
</tr>
<tr>
<td>ATLAS PETROLEUM</td>
<td>NIL</td>
<td>315BOPD</td>
<td>450BOPD</td>
<td>OML 109</td>
<td>Sole Risk</td>
<td>Ejulebe</td>
</tr>
<tr>
<td>SUNTRUST</td>
<td>NIL</td>
<td>1,950BOPD</td>
<td>13,000BOPD</td>
<td>Umusadege</td>
<td>Marginal Field</td>
<td>Umusadege</td>
</tr>
<tr>
<td>ORIENTAL ENERGY</td>
<td>NIL</td>
<td>NIL</td>
<td>35,000BOPD</td>
<td>Ebok</td>
<td>Sole Risk</td>
<td>Ebok</td>
</tr>
</tbody>
</table>

Source: Africa Oil + Gas Report
LOOKING FORWARD

In the near term, the activities of successful MFO’s will progress as follows:

• **Acquisition of New Assets** – through bid rounds, farm-ins and divestment from IOC’s. Strong aspiration to operate assets divested from IOC’s.

• **Re Investment of Earnings** – Increased domestic capital accumulation for re investment into the sector or other sectors further boosting the domestic economy.

• **Local Listing** – Seek listing opportunities on the Nigerian Stock Exchange and other Exchanges enabling a wider shareholder participation and creating a sustainable source of capital to finance growth.

• **International Growth** – These Companies can leverage their diversified asset portfolios and operatorship's to become International Companies.

• **Industry Consolidation** – Potential consolidation in the Industry akin to that in the Finance sector.

• **Refining Capacity** – Accretion of refining capacity through indigenous participation.
THANK YOU