



PETROLEUM COMPANY OF TRINIDAD AND TOBAGO LIMITED

Administration Building, Pointe-à-Pierre, Trinidad, West Indies
Telephone: (868) 612-2463. Telefax: (868) 658-1236

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2020 February 28

Mr. Sherwin Long
Head, TTEITI Secretariat
15th Floor
International Waterfront Centre
Tower C
Wrightson Road
PORT OF SPAIN

Dear Mr. Long

**TTEITI FILE NOTE – LEASE, FARMOUT AND INCREMENTAL PRODUCTION
SERVICE CONTRACT OPERATORS**

Attached is the submission of Petrotrin's File Note for the Lease, Farmout and Incremental Production Service Contract Operators (IPSC) for the Fiscal Year 2018.

Should you require any further information, please contact the Ms. Lilawatee Rambarran, Financial Controller at **Tel. No. 612-2463 Ext. 2040**.

Yours Faithfully

PETROLEUM COMPANY OF TRINIDAD & TOBAGO LIMITED

Mr. Reynold Ajodhasingh
Director

Attachment

Directors: Michael A.A. Quamina (Chairman) Reynold Ajodhasingh (Deputy Chairman) Anthony Chan Tack
Joel Harding Selwyn Lashley Eustace Nancis



PETROLEUM COMPANY OF TRINIDAD AND TOBAGO LIMITED
FINANCE DIVISION

FILE NOTE – LEASE, FARMOUT AND IPSC OPERATORS

Purpose

This Note is provided for the citizens of Trinidad and Tobago to understand the financial arrangements that existed between Petroleum Company of Trinidad and Tobago Limited (Petrotrin) and its Lease, Farmout and Incremental Production Service Contracts (IPSC) Operators (LOFOSC) for the financial year ended 2018 September 30. It will be disclosed in the Trinidad and Tobago Extractive Industries Transparency Initiative (TTEITI) Report for the fiscal year 2018.

Background

The Lease Operatorship Programme has been in existence for the past twenty-nine (29) years. The Programme involves the re-activation of idle wells within a defined geographic area (Lease Blocks) and the drilling of replacement and infill wells, subject to Petrotrin's approval of any drilling to be undertaken. The Programme was developed to encourage small Operators to work in Blocks where it was uneconomic for Petrotrin to operate given its cost and operations structure. For the financial year ended 2018 September 30 there were twenty-four (24) Lease Operatorship (LO) Blocks, managed by fourteen (14) Lease Operators. For fiscal year 2018 production from Lease Operators averaged 6,384 bopd.

In the Farmout programme Petrotrin farms out idle acreage to small Operators to explore, drill and produce. In 2018 there were a total of eight (8) Farmout Operators for the ten (10) Blocks under this arrangement. For fiscal year 2018 production from Farmout operators averaged 603 bopd.

The other type of arrangement that falls under LOFOSC is the Incremental Production Service Contract (IPSC). In 2018 there were seven (7) blocks contracted to six (6) Operators. The main difference between this arrangement and the Lease Operator is that in some IPSC's Petrotrin handed over active wells and production. This production is called the first tranche oil for which Petrotrin pays a handling fee to the Operator. Production in excess of this first tranche oil is sold to Petrotrin. For fiscal year 2018 production from IPSC averaged 1,453 bopd.

In all instances the LOFOSC's produce crude oil which is defined as "indigenous" crude for the refinery. All crude oil produced by the Operators is purchased by Petrotrin. All the production is fiscalized at the respective tank farms and Petrotrin is responsible for reporting on Production by Blocks to the Ministry of Energy and Energy Industries (MEEI). Production from the LOFOSC Blocks produced an average of approximately 8,440 bopd for the financial year 2018.

Major Fees paid by the Operators

The arrangement is managed by a Lease or a Farmout Agreement or IPSC. In accordance with the contract, the market value of the crude oil delivered is equal to the price of the Petrotrin equity land blend crude excluding Guapo. The Operators fee is made up of the market value of crude oil times the production barrels (sales receipts) and the following are the deductions which are offset from this revenue and the net amount is paid to the Operators:



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- Royalty: which can either be State / Government royalty, Private royalties or freehold lessors royalty, depending on the leases from which the production is derived.
- Petroleum Production Levy: this represents the levy for the LOFOSC's proportionate share of the field production. Any levy due is remitted by Petrotrin directly to the MEEI.
- Oil Impost: a tax on oil producers for their proportionate share of the annual operating cost of the MEEI - remitted to MEEI.
- Overriding Royalty: This is negotiated and can be defined as Petrotrin's revenue stream from the Block. Petrotrin benefits from an Overriding Royalty (ORR) fee paid by the Operator for each barrel oil equivalent produced. The ORR is based on gross revenue and bears no relation to cost of production. ORR rates are negotiated rates based on tiered oil prices and scaled according to production levels. The Operators are given incentives to drill and produce additional oil; hence for the first two (2) years of drilling a successful well, reduced ORR percentages are paid on that well's production.
- Lease Operators pay a User Fee to cover services provided by Petrotrin that include, *inter alia*, electricity, compilation of production data for MEEI, laboratory analysis of samples, review of well programmes and general administration costs associated with these activities. This fee is retained by Petrotrin as reimbursement of its costs.
- Farmout Operators are charged a Transportation and Handling Fee.
- IPSCs are charged a Facilitation Fee.

Other fees paid by the Operators

In addition to the deductions noted above the LOFOSC are also required to pay a proportionate share of the respective Head Licence fees as outlined under the financial obligations provision of the License. In the case of the Lease Operators and IPSCs, the Operator's share of Head Licence fee is determined by their proportionate share of the total production times the fees paid for the respective year. For the Farmout Operators the amount is prorated based on acreage. The total Head Licence fee is remitted to the MEEI by Petrotrin who in turn invoice the respective Lease Operators annually for their proportionate share.

LOFOSCs are responsible for their own payments of the Supplemental Petroleum Taxes (SPT) as well the Petroleum Profits Tax (PPT) to the Board of Inland Revenue (BIR). Lease Operatorships and IPSCs operate wells but are not assigned acreage and as a result are not allowed to book reserves while Farmout Operators are given acreage and have title to the reserves. With respect to the payments made to the MEEI, except for the basis on which the calculations are effected particularly in respect of the land licence fees, there is no major difference in the treatment and the payment processing.

Lilawatee Rambarran
Financial Controller

Attachment

2020 February 28

PETROLEUM COMPANY OF TRINIDAD AND TOBAGO LIMITED
SCHEDULE OF PAYMENT LEASE OPERATORS

SUMMARY OF REVENUE AND ROYALTY PAYMENTS FROM LEASE OPERATORS 2017/2018 SEPTEMBER

Lease Operator	Well #	Sales (Mcfs & Bbls)	T.T. Value \$	Productive Royalty	O/Riding Royalty	Oil Impost	Escrow Fee	User's Cost	Equipment Rental	Net Payment (TTD)
Lease Operators Ltd.	WD-3	174,517.00	69,401,266.96	(8,416,985.76)	(21,012,425.81)	(86,437.89)	(294,272.98)	(2,473,778.51)	0.00	37,117,366.01
Lease Operators Ltd.	WD-1	68,750.00	27,261,551.42	(3,316,412.18)	(7,988,792.59)	(34,073.77)	(115,927.76)	(974,531.29)	0.00	14,831,813.83
Lennox Prod Serv. Ltd.	WD-2	84,277.00	33,519,261.55	(4,058,177.70)	(7,207,927.25)	(41,716.36)	(142,100.03)	(1,194,626.50)	0.00	20,874,713.71
Touchstone Exploration Ltd.	WD-4	207,834.00	82,758,619.29	(10,048,763.75)	(18,053,202.75)	(102,695.38)	(350,426.82)	(2,946,046.99)	0.00	51,257,483.60
Oilbelt Services Ltd.	WD-5/6	359,373.00	142,669,641.41	(17,291,768.58)	(46,054,903.90)	(178,019.49)	(605,955.59)	(5,094,112.30)	0.00	73,444,881.55
T. N. Ramnauth & Co. Ltd.	WD-7M	77,219.00	30,569,215.61	(3,705,195.62)	(6,533,377.34)	(38,323.84)	(130,203.34)	(1,094,579.35)	0.00	19,067,536.12
Touchstone Exploration Services Ltd	WD-8	107,671.00	43,094,073.72	(5,172,606.24)	(9,972,999.22)	(53,181.14)	(181,576.49)	(1,526,236.46)	0.00	26,187,474.17
Lease Operators Ltd.	WD-9	494,297.00	196,735,899.07	(23,890,278.81)	(34,159,589.78)	(244,664.73)	(833,489.78)	(7,006,660.00)	0.00	130,601,215.97
Lease Operators Ltd.	WD-10	47,931.00	19,113,965.84	(2,315,308.93)	(6,290,226.63)	(23,685.22)	(80,816.95)	(679,421.94)	0.00	9,724,506.17
Lease Operators Ltd.	WD-11	10,445.00	4,131,833.77	(501,193.13)	(1,363,505.14)	(5,179.43)	(17,611.75)	(148,057.92)	0.00	2,096,286.40
Lease Operators (frmly Tracmac)	WD-12	37,509.00	14,796,085.75	(1,790,890.68)	(3,275,771.76)	(18,651.71)	(63,247.49)	(531,690.10)	0.00	9,115,834.01
N A K T Limited	WD-14	41,561.00	16,607,503.76	(2,017,937.39)	(4,723,638.35)	(20,523.28)	(70,081.44)	(589,127.21)	0.00	9,186,196.09
Antilles Resources Ltd	WD-13	26,626.00	10,600,371.54	(1,288,688.36)	(3,272,900.85)	(13,164.93)	(44,894.94)	(377,423.58)	0.00	5,603,298.88
Rocky Point T&T Ltd	WD-15	75,514.00	30,047,943.80	(3,645,149.01)	(9,158,683.89)	(37,372.43)	(127,333.04)	(1,070,410.98)	0.00	16,008,994.45
Petroleum Contracting Serv. Ltd.	WD-16	64,527.00	26,142,276.12	(3,212,479.53)	(2,316,521.69)	(31,682.31)	(108,826.48)	(914,670.24)	0.00	19,558,095.87
Trinidad Wireline Ltd	WD-17	62,514.00	24,847,082.38	(3,015,284.35)	(8,106,100.93)	(30,943.42)	(105,404.89)	(886,135.98)	0.00	12,703,212.81
Touchstone Exploration- Damus (Coora 2)	CO-2	23,972.00	9,575,286.87	(1,147,053.08)	(2,765,467.18)	(11,831.93)	(40,421.11)	(339,803.13)	0.00	5,270,710.44
Lease Operators Ltd. BLK 1	PS-1	67,327.00	26,738,730.23	(3,241,326.16)	(7,279,290.46)	(33,345.42)	(113,523.49)	(954,360.25)	(5,400.00)	15,111,484.45
Pioneer Petroleum Co. Ltd.	GU-1	37,661.00	13,824,456.29	(1,688,168.85)	(3,915,225.35)	(18,630.00)	(63,507.57)	(533,844.71)	0.00	7,605,079.81
Hydrocarb T'dad Ltd.	FZ-1	52,992.00	20,940,632.23	(2,167,279.77)	(6,879,020.30)	(2,294.74)	(7,957.59)	(229,759.22)	0.00	11,654,320.61
Lennox Prod. Serv. Ltd.	FZ-2	30,021.00	11,945,002.48	(1,497,811.34)	(3,694,373.86)	(14,848.18)	(50,619.44)	(425,547.71)	0.00	6,261,801.95
Touchstone Exploration- Damus (Coora 1)	CO-1	136,859.00	54,419,431.42	(6,482,216.57)	(7,365,108.02)	(67,763.69)	(230,776.14)	(1,939,976.37)	0.00	38,333,590.63
Moonsie Oil Co. Ltd.	PS-4	14,787.00	5,848,848.18	(708,319.47)	(1,930,119.90)	(7,333.17)	(24,931.70)	(209,605.74)	0.00	2,968,538.20
East Coast W/over Serv. Ltd.	PS-3	26,125.00	10,354,280.06	(1,253,122.44)	(3,413,443.00)	(12,951.09)	(44,051.39)	(370,321.90)	0.00	5,260,390.24
	Total Bbls	2,330,309.00								
TOTAL			925,943,259.75	(111,872,417.70)	(226,732,615.95)	(1,129,313.55)	(3,847,958.20)	(32,510,728.38)	(5,400.00)	549,844,825.97

PETROLEUM COMPANY OF TRINIDAD AND TOBAGO LIMITED
SCHEDULE OF PAYMENT LEASE OPERATOR/FARMOUT
SUMMARY OF REVENUE AND ROYALTY PAYMENTS FROM FARMOUTS 2017/2018 SEPTEMBER

<i>Lease Operator</i>	<i>Well #</i>	<i>Sales (Bbls)</i>	<i>T.T. Value \$</i>	<i>Productive Royalty</i>	<i>MISC ADJ</i>	<i>O/Riding Royalty</i>	<i>Escrow Fee</i>	<i>Oil Impost</i>	<i>Handling & Elect. Chgs.</i>	<i>Transportation & Handling Fee</i>	<i>Net Payment (TTD)</i>
<i>Krishna Persad & Associates</i>	<i>BP</i>	10,854	4,272,212.25	(533,871.61)	-	(982,608.82)	(18,301.90)	(5,394.56)	-	(39,074.40)	2,692,960.96
<i>Coastline International Inc.</i>	<i>TAB</i>	8,076	3,296,364.77	(409,612.70)	-	(593,345.66)	(4,573.29)	(3,997.08)	(40,500.00)	-	2,244,336.04
<i>Hydrocarb Trinidad Ltd.</i>	<i>BD</i>	7,236	2,847,869.43	(22,399.75)	-	(975,192.99)	(720.80)	(207.86)	-	(1,537.20)	1,847,810.83
<i>Touchstone - (New Dome)</i>	<i>ND</i>	9,090	3,627,712.21	(454,448.02)	-	(759,417.40)	(15,327.93)	(4,494.50)	-	(32,724.00)	2,361,300.36
<i>Range Resources T'dad Ltd</i>	<i>MD</i>	110,174	43,841,811.41	(5,450,611.01)	-	(10,035,046.33)	(185,769.12)	(54,519.38)	(135,000.00)	(396,626.40)	27,584,239.17
<i>Range - L.B.O. frmly W.S.E.L.</i>	<i>SQ</i>	16,097	6,434,134.60	(782,398.83)	-	(1,479,850.96)	(27,143.58)	(7,950.70)	(81,000.00)	(57,949.20)	3,997,841.33
<i>Touchstone - (South P/Seco)</i>	<i>SP</i>	2,670	1,065,475.02	(127,620.15)	-	(231,948.15)	(4,503.54)	(1,325.02)	-	(9,612.00)	690,466.16
<i>Well Services Energy Ltd</i>	<i>BM</i>	0	-	-	-	-	-	-	-	-	0.00
<i>A.P.I. Pipeline</i>	<i>OP</i>	24,726	9,714,035.18	(1,174,174.35)	-	(2,234,228.06)	(41,689.50)	(12,303.62)	-	(89,013.60)	6,162,626.05
<i>Jasmin Oil & Gas Ltd</i>	<i>SE</i>	31,129	12,333,046.83	(1,493,839.08)	-	(2,465,084.56)	(52,490.49)	(15,452.74)	-	(112,064.40)	8,194,115.56
TOTAL	Total Bbls	220,052	87,432,661.70	(10,448,975.50)	-	(19,756,722.93)	(350,520.15)	(105,645.46)	(256,500.00)	(738,601.20)	55,775,696.46

PETROLEUM COMPANY OF TRINIDAD AND TOBAGO LIMITED
SCHEDULE OF PAYMENT RISK SERVICE CONTRACTS
SUMMARY OF REVENUE AND ROYALTY PAYMENTS FROM IPSC's 2017/2018 SEPTEMBER

<i>Lease Operator</i>	<i>Well #</i>	<i>Delivery (Bbls)</i>	<i>1st Tranche (Bbls)</i>	<i>Sales (Bbls)</i>	<i>T.T. Value \$</i>	<i>Productive Royalty</i>	<i>O/Riding Royalty</i>	<i>Facilitation Fee</i>	<i>Escrow Fee</i>	<i>Oil Impost</i>	<i>Handling Fee</i>	<i>Net Payment (TTD)</i>
A & V Oil & Gas	ME	10,244	(4,404)	5,840	2,373,854.72	(296,473.99)	(838,318.69)	(115,925.58)	(9,851.50)	(2,863.39)	267,334.26	1,377,755.83
A & V Oil & Gas	C/HILL	173,525	(13,970)	159,555	60,058,150.49	(7,490,677.95)	(13,633,889.57)	(3,107,910.57)	(269,060.15)	(81,817.59)	848,169.32	36,322,963.98
Goudron E & P	GUD	159,190	(14,652)	144,538	57,890,320.88	(7,196,846.33)	(10,592,376.76)	(2,861,894.74)	(243,709.71)	(71,343.52)	889,414.49	37,813,564.31
Range Resources (LBO)	BM	103,284	-	103,284	41,100,186.05	(5,127,811.34)	(11,443,047.19)	(2,021,528.99)	(174,143.62)	(51,060.83)	-	22,282,594.08
FRAM	IN/ TRIN	48,987	(35,919)	13,068	5,225,812.68	(652,194.76)	(1,134,492.47)	(256,886.20)	(22,037.26)	(6,446.40)	3,876,239.97	7,029,995.56
Lease Operators Ltd	BAL EAST	35,265	(13,932)	21,333	8,331,425.78	(1,040,793.46)	(1,935,097.53)	(410,316.92)	(35,967.18)	(10,627.62)	1,127,615.84	6,026,238.91
API Pipeline	NAVETTE	-	-	-	-	-	-	-	-	-	-	-
TOTAL		530,495	(82,877)	447,618	174,979,750.60	(21,804,797.83)	(39,577,222.21)	(8,774,463.00)	(754,769.42)	(224,159.35)	7,008,773.88	110,853,112.67