



## Acquisition of an interest in OML 26

21 October 2010



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## Transaction highlights



# First Hydrocarbon Nigeria



- Established in response to Nigerian government's policy of increasing indigenous participation in the upstream sector
- Vision to become a champion in the indigenous sector through acquiring and developing discovered but undeveloped fields
- Majority Nigerian owned – objective to broaden Nigerian ownership (Initial Public Offering on NSE)
- Acquisition of OML 26 is a key milestone in delivering the strategy
- Major step forward in establishing a secondary market in Nigeria's E&P sector
- Afren as Technical Services Provider – the leading partner to the Nigerian indigenous sector



# Transaction highlights



## Acquisition by FHN of a 45% interest in OML 26

- Two producing, three undeveloped fields and significant exploration upside
- Maximum investment of US\$ 187.5 million – acquisition cost and equity share of phased development

## Large scale reserves and resource base

- Independently certified gross 2P reserves and contingent resources of 184 mmbbls
- Undeveloped gross recoverable resources of 144 mmboe
- Prospective resources of 615 mmboe gross

## Current production with major planned redevelopment

- Currently producing 5,000 bopd (gross)
- Phased work programme defined for Ogini and Isoko fields to increase production to 40,000 bopd over five years

## FHN to operate the assets with Afren acting as Technical Services Provider

- Leveraging Afren's established development and operating track record

## Terms agreed with BNP for a loan to fund 88% of entire acquisition cost

- US\$130 million credit facility agreed at LIBOR +5.5%
- Six year term



# Operating framework and capital requirement



Afren will provide technical and operational management services to FHN under an agreed set of terms

- Transition planning underway
- SPDC JV team / FHN / Afren to operationally work together in order to ensure smooth transfer of control

Full field development capex of US\$4.6/bbl

- Phase 1 capex partially funded from existing cashflow (net FHN capex of up to US\$40m)
- Subsequent development phases fully funded from existing field cash flows

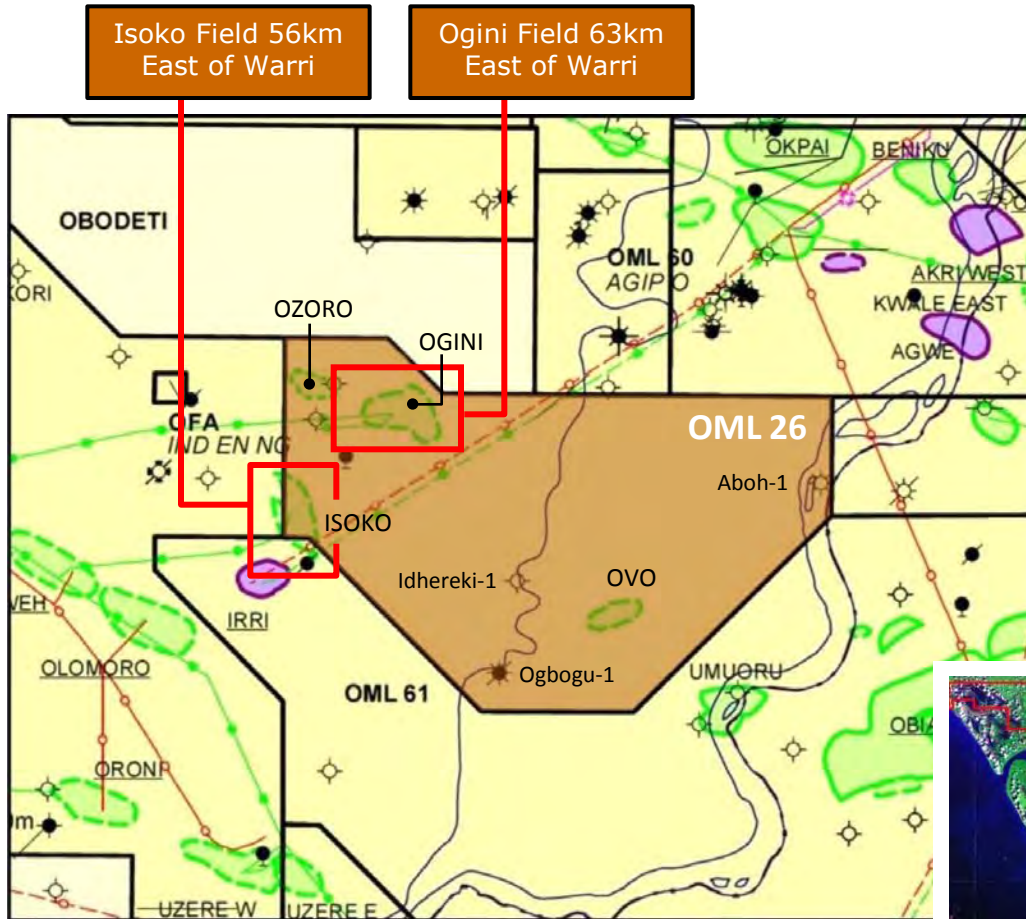
Financing arrangement

- US\$130 million amortising term loan
- Six year term





## Asset overview



- Onshore Nigeria, Delta State
- 2 developed fields (Ogini and Isoko)
- 3 undeveloped fields (Aboh, Ovo and Ozoro)
- Crude export is via the Forcados terminal through a 29km pipeline to the SPDC JV operated Eriemu manifold





# Ogini and Isoko fields - reserves and current status

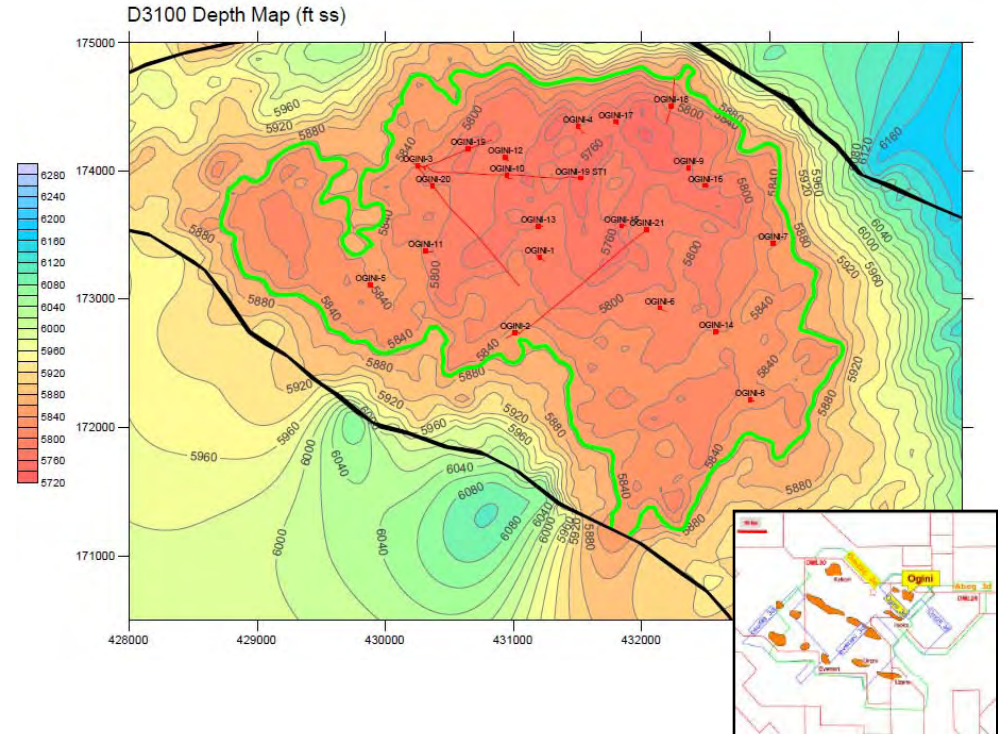


Developed Fields	Ogini Field	Isoko Field	Combined	Comments
Status	Producing	Producing	-	Both fields producing from only a limited number of drainage points - most are currently shut in
STOIIP (mmbbls)	676.9	100.4	777.3	
Production to date (mmbbls)	46.8	27.1	73.9	
Remaining 2P and Contingent Resources (mmbbls)	169.8	13.8	184	Combined gross 2P reserves 40.7 mmbbls
Expected URR (mmbbls)	216.5	40.8	257.3	
Current recovery factor	7%	27%	10%	
Expected ultimate recovery factor	32%	41%	33%	
Current Production (bopd)	4,000	1,000	5,000	Phased work programme defined to increase production to 40,000 bopd over five years

\* Independently estimated by Energy Resource Consultants (ERC) as at 1 January 2010

## Ogini Field – OML 26

- Discovered: 1964
- Production start up: 1971
- 23 wells have been drilled. There are 11 currently producing drainage points
- Simple roll-over anticline structure. Sedimentology consists mostly of truncated channels and barrier bars
- 95% of volumes contained within 'D' and 'E' Series reservoirs
- GOR 100-1000 scf/bbl. Reservoirs have strong aquifer support
- Only 7% of estimated STOIP produced to date

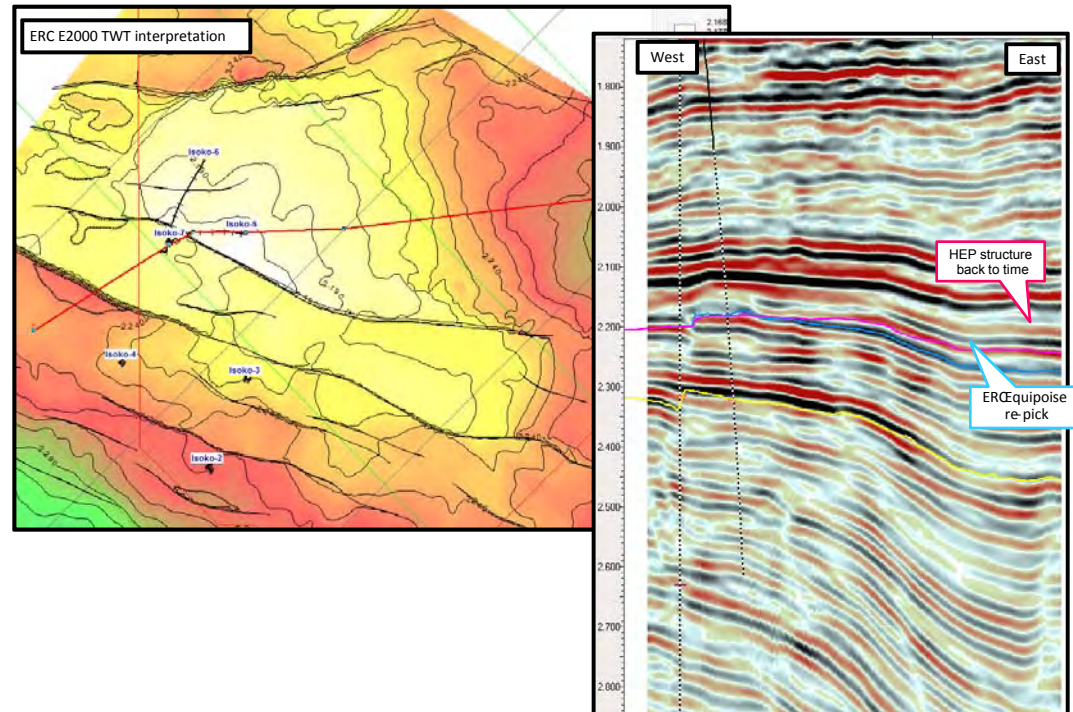


### Main field characteristics:

- The rock properties are good. The average porosity for the producing reservoirs ranges from 21% to 33%, permeability from 450 to 4500 Md
- 15-19° API oil

## Isoko Field – OML 26

- Discovered: 1959
- Production start up: 1976
- 7 wells drilled. 5 are active with 1 currently producing drainage point and 4 wells shut-in
- NW to SE trending crestal structure
- 85% of volumes contained in the 'E' Series reservoirs
- Moderate solution GOR (567-1396 scf/bbl). The reservoirs are hydrostatically pressured and underlain by large aquifer, which form the prominent drive mechanism



### Main field characteristics:

- The rock properties are good. The average porosity for the producing reservoirs is 30%, permeability from 3,000 to 4,000 Md
- Medium to light gravity 26-38° API oil



## Full Field Development and Production Strategy

- Drill up to 39 horizontal production wells in 3 phases (existing production wells were drilled vertically)
- Expand existing well locations to accommodate multi-well clusters
- Workover and side-tracking of existing production wells
- De-bottleneck existing 30,000 bopd production handling capacity
- Implement pressure support methods as deemed appropriate (gas lift and water injection)
- First two redevelopment phases to increase production to 40,000 bopd from 21 production wells over the first five years
- Full field production to reach 50,000 bopd from phase 3
- Develop gas utilization strategy to comply with no flare policy – options being evaluated include power supply to the community and gas re-injection





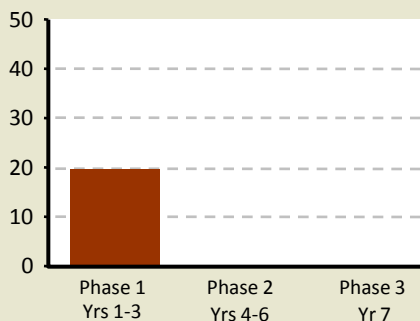
# Ogini and Isoko fields - phased development plan



## Phase 1

- Drill 6 producers + 1 water disposal well
- Refurbish existing production facilities – 30,000 bopd liquids handling capacity
- 16,000 bopd production uplift expected
- Conduct detailed G&G Study
- Analyse existing and new production data
- **Net capex: c.US\$ 70m**
- **Net cash flow: c.US\$ 30m**

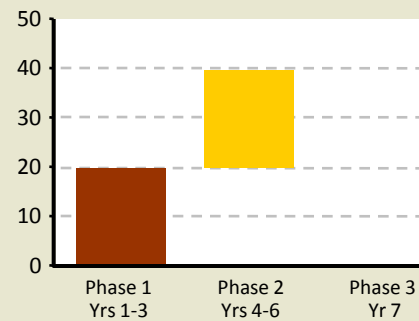
Impact on gross boepd



## Phase 2

- Expand production capacity
- Drill 15 additional producers
- 40,000 bopd expected production rate
- **Net capex: c.US\$ 170m**
- **Net cash flow: c.US\$ 230m**

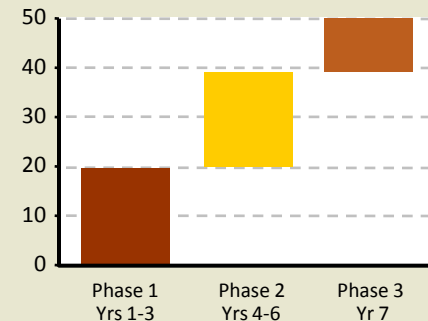
Impact on gross boepd



## Phase 3

- Further expand facilities
- Drill 18 infill-wells
- 50,000 bopd expected production rate
- **Net capex: c.US\$ 136m**
- **Net cash flow: c.US\$ 280m**

Impact on gross boepd



## OZORO-2

Gross 2C	100% Remaining Hydrocarbons*
10	Oil (mmbbls)
0	Condensate (mmbbls)
19	Natural Gas (bcf)
13	Total (mmboe)

Asset Type: Shut-in field, produced >1 mmbbls oil in the past  
Discovered: 1963 - 2 wells drilled to date

## ABOH-1

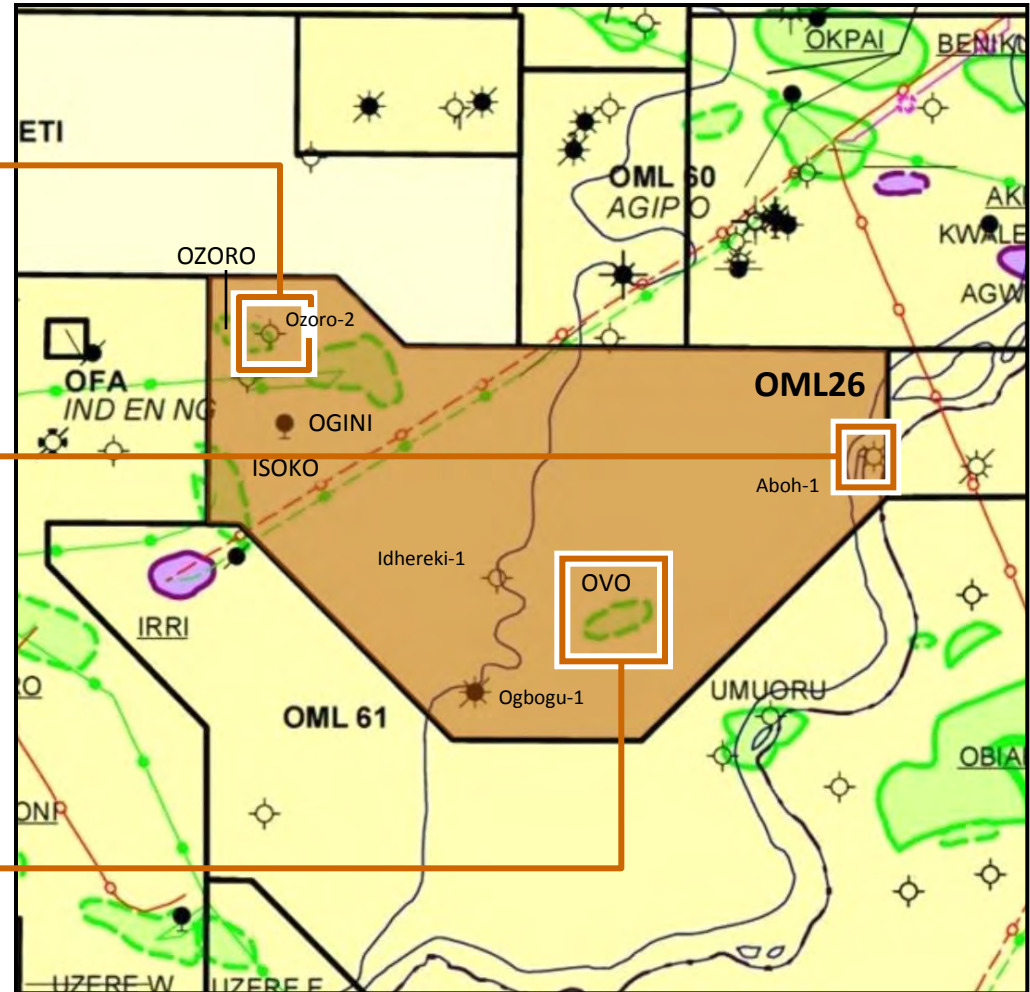
Gross 2C	100% Remaining Hydrocarbons*
8	Oil (mmbbls)
10	Condensate (mmbbls)
308	Natural Gas (bcf)
70	Total (mmboe)

Asset Type: Un-developed field  
Discovered: 1966 - 3 wells drilled to date

## OVO

Gross 2C	100% Remaining Hydrocarbons*
5	Oil (mmbbls)
5	Condensate (mmbbls)
296	Natural Gas (bcf)
61	Total (mmboe)

Asset Type: Un-developed field  
Discovered: 1961 - 1 well drilled to date



\*Operator's estimates



## Exploration inventory acquired – substantial upside potential



Prospect Name	P50 Oil mmbbls*	P50 Condensate mmbbls*	P50 Gas bcf*	Total P50 mmboe*
Idhereki SW	80	4	295	135
Ove DP	31	5	351	97
Aboh S	8	9	321	72
Ogini S	25	4	109	47
Ogini S DP	8	7	138	40
Ogini SW	7	7	112	33
Ogini E	14	3	85	32
Ogini DP	9	4	98	30
Otovo	22	1	34	27
Aboh W	2	2	73	16
Idhereki NW	12	0	24	16
Idhereki SE	11	0	12	13
Ogini SE	10	0	19	13
Other Prospects	25	4	93	44
<b>TOTAL</b>	<b>264</b>	<b>50</b>	<b>1,764</b>	<b>615</b>

\*Operator's estimates

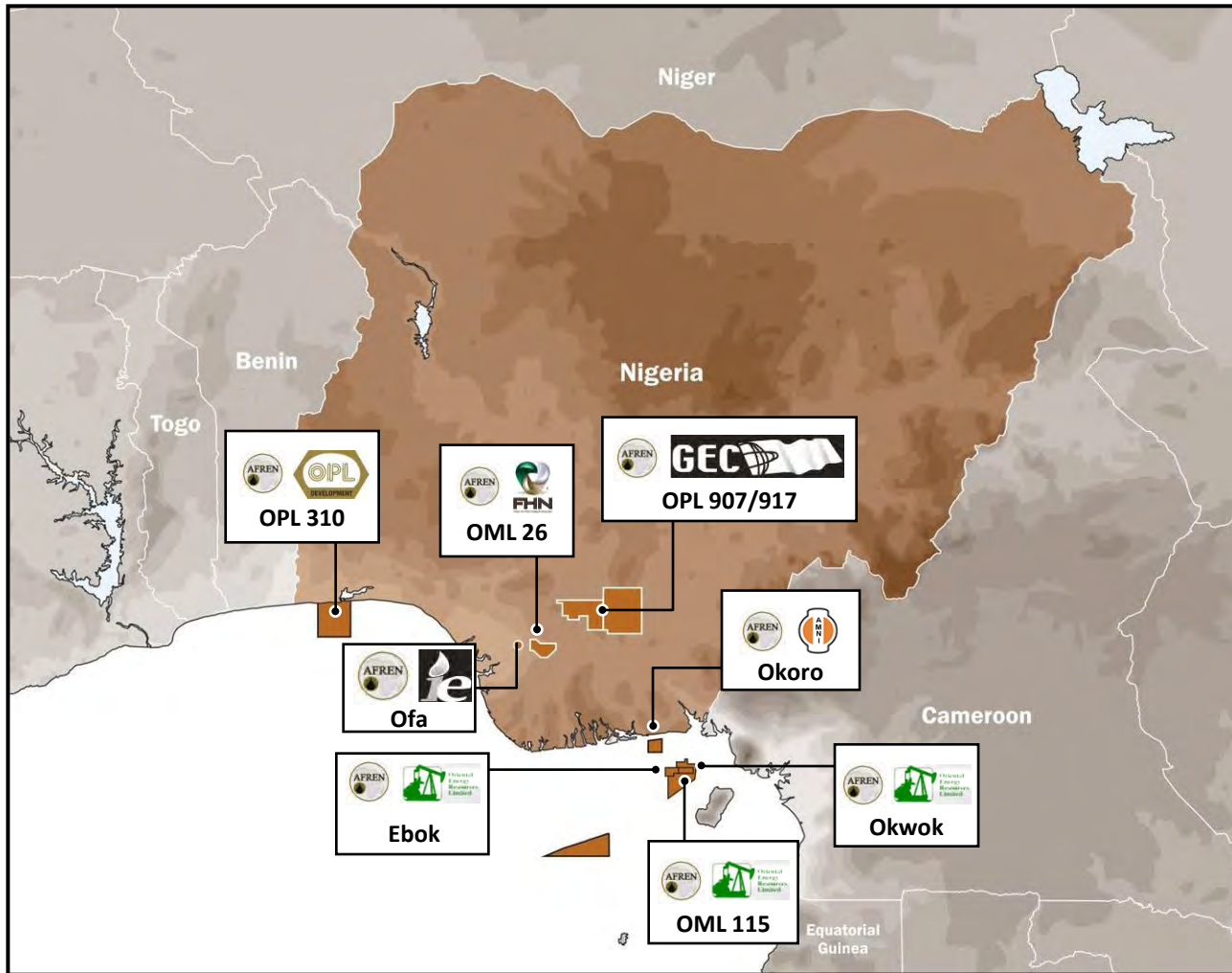


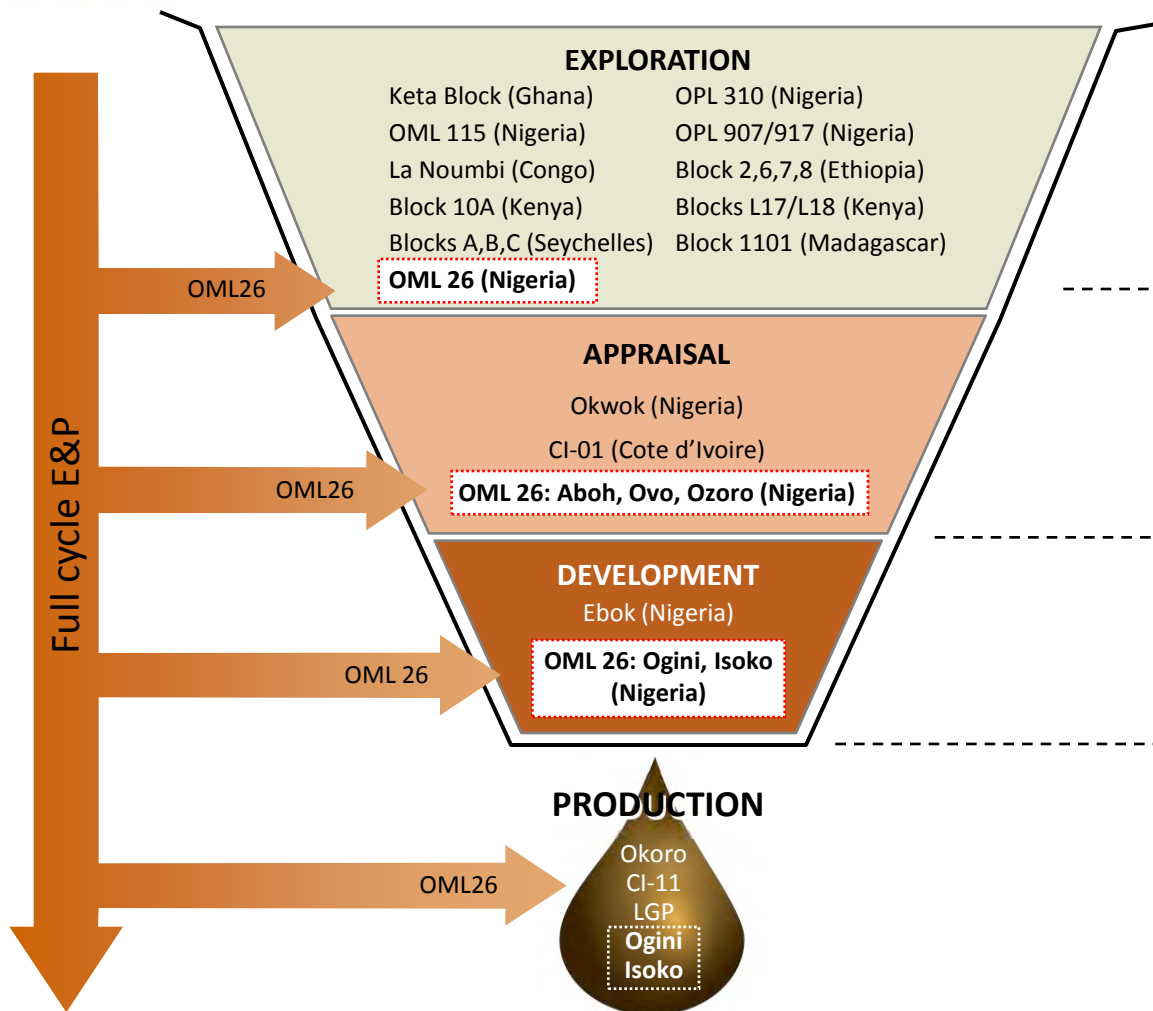
# Conclusions





# Growth through indigenous partnerships





- 9 high impact prospects in current firm drilling plan to end 2012 across multiple basins, play types and geographies
- Further prospect maturation in all areas
- Electromagnetic and seismic acquisition
- Farm in's and out's to optimise portfolio and balance risk/reward profile

- Existing discoveries actively being worked up (Okwok in Nigeria, Kudu, Eland and Ibex in Côte d'Ivoire)
- Continue to pursue additional bolt on opportunities – discovered but undeveloped opportunity set

- Major Ebok field development project ongoing phased development approach throughout 2011 and beyond
- Large scale redevelopment of Ogini and Isoko fields

- Three producing assets delivering 20,397 boepd net WI production (86% oil)
- Ogini and Isoko fields currently producing at low levels – redevelopment plans defined to increase production to 50,000 boepd gross
- Actively managing reservoirs and facilities to optimise production
- Infill opportunities to deliver incremental volumes



# Conclusions



## Endorsement of Nigerian strategy

- Reactivation of fallow assets held by Major IOCs
- Catalyst to emerging Nigerian secondary E&P market
- Repeatable and scaleable transaction model – early mover advantage

## Leveraging Afren's track record

- Established development and operational track record (Okoro and Ebok)

## Developing indigenous capacity

- Seventh Nigerian partnership
- Priority to promote local capacity
- Leverage Afren's progressive community relations programme

## Reserves and production growth

- 184 mmbbls gross recoverable reserves and contingent resources; visibility on 40,000 bopd gross production
- Step change: total reserves and resource potential for OML 26 estimated at ca. 940 mmboe

## Full cycle E&P

- Enhances Afren's exposure across the full cycle E&P value chain
- Achieved with limited cash equity