



MINISTERIO  
DE ENERGÍA Y MINAS  
REPÚBLICA DOMINICANA

# DOMINICAN REPUBLIC 1<sup>st</sup> OIL & GAS BID ROUND: New Opportunities in the Center of the Caribbean

Alberto Reyes, Hydrocarbons Vice Minister  
August 29<sup>th</sup> 2019



MINISTERIO  
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REPÚBLICA DOMINICANA

## AGENDA

### 1. INTRO TO DOMINICAN REPUBLIC

### 2. WHY DOMINICAN REPUBLIC?

### 3. EXPLORATION OPPORTUNITIES

### 4. LICENSING ROUND OVERVIEW

### 5. QUALIFICATION

Over the past few decades, Dominican Republic has and continues to reform its economy and public image by developing key industry sectors



COUNTRY OVERVIEW

**Geography:** Part of Hispaniola, ~30,000 Sq. miles

**Demographics:** 10M population, 5M economically active

**Economy:** Tourism, finance, trade, manufacturing, agriculture

- **2nd largest** gold operation globally
- ~170,000 miles of maritime exclusive economic zone

**Government:** Democratic

Source: Wood Mackenzie, MEM

Americas



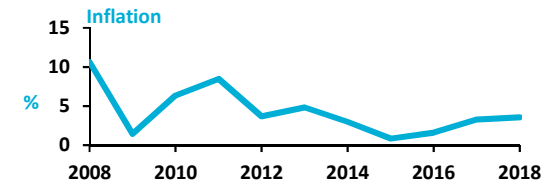
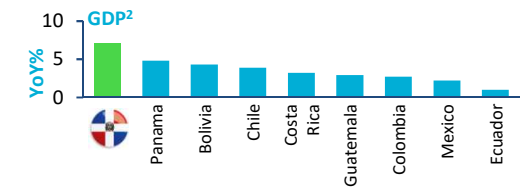
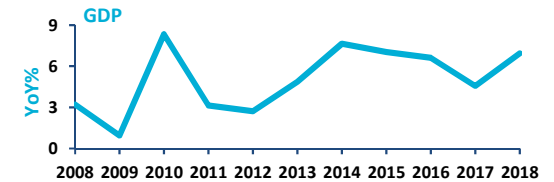
The Caribbean



# Positive macroeconomic indicators position Dominican Republic as a magnet for both domestic and foreign investors

- Growing Economy**
- Regional Leader**
- Controlled Inflation**
- High Commercial Activity**

- **Solid growth trend (with growing middle class)** over last decade
- Sustained GDP ~5-7% in past three decades
- DR among the **fastest growing** economies in Latin America & the Caribbean
- MPR<sup>1</sup> maintained at 5%; **ensures stability** and reduces currency volatility; rates expected to stay unchanged in the short and medium term
- ~\$27B in commercial transactions, ~\$3.5B in foreign direct investments in '18



Notes: 1 - Monetary Policy Rate, 2 – Average of the last 5 years  
Source: Wood Mackenzie IMF, MEM



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A strong economy and low risk investment conditions make a strong case for investing in DR's oil and gas sector



**Positive and sustained macroeconomic indicators**



**Frontier exploration with available and accessible information**



**Top quartile, progressive and simple fiscal terms**



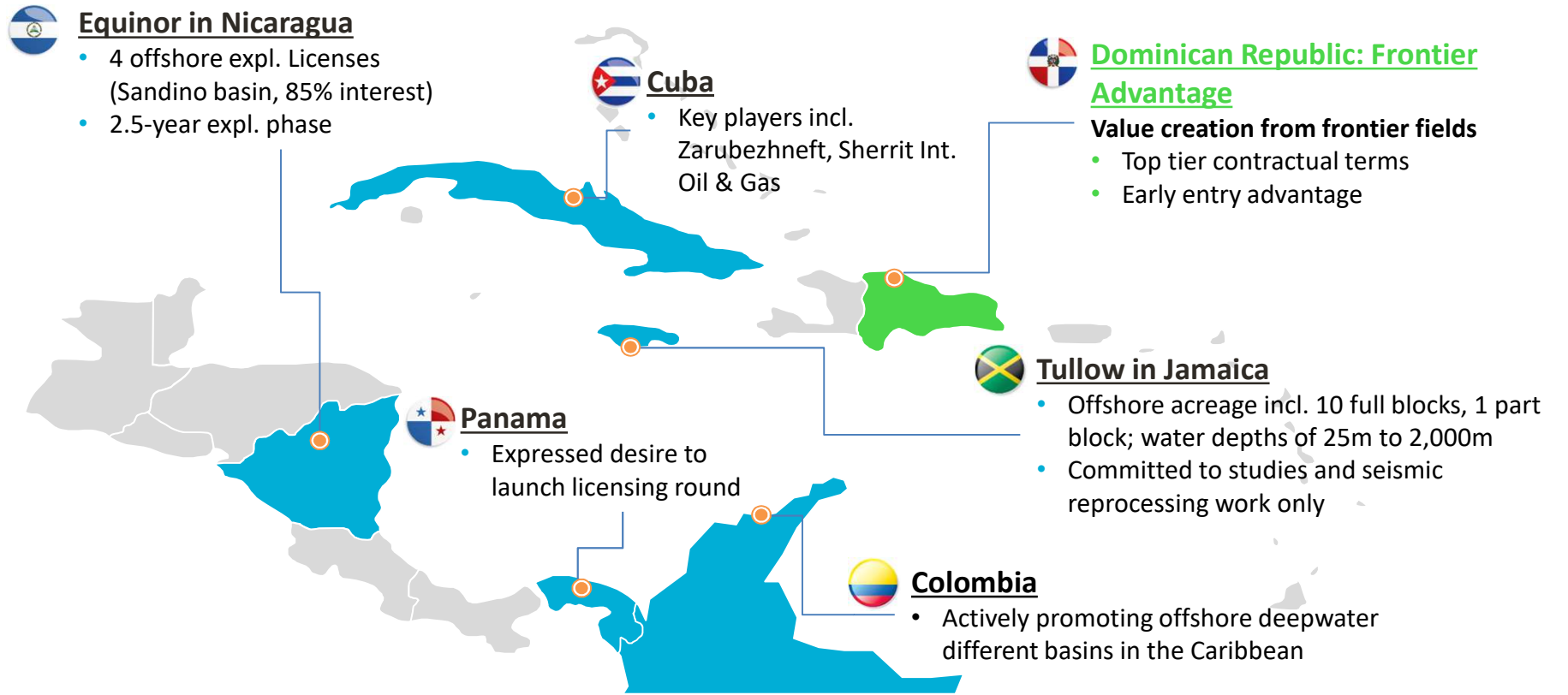
**Low risk investment conditions**



**Country is open for the industry beyond the current round, companies can nominate blocks**

# With a growing interest among E&Ps in the Caribbean, the time to take advantage of DR's FDI-friendly policies is now

E&Ps are adding the Caribbean to their portfolio and strengthening position in the region

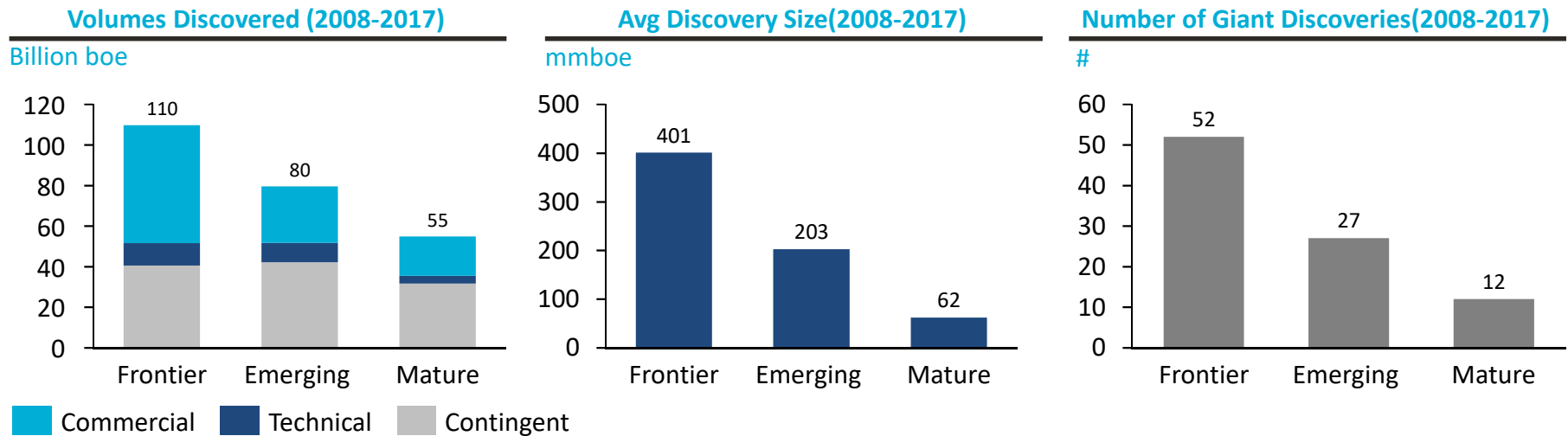


Source: Wood Mackenzie

Frontier basins have been proven to deliver stronger results than emerging and mature basins

**Frontier exploration at a low cost allows:**

- ✓ Potential **value creation** for early entrants
- ✓ Higher potential for **multiple prospects**
- ✓ **Larger block sizes** than emerging / mature fields
- ✓ **Fit with E&P** company portfolio mix



Source: Wood Mackenzie



Fiscal terms for the PSC contract were designed based on industry best practices

## Key guidelines



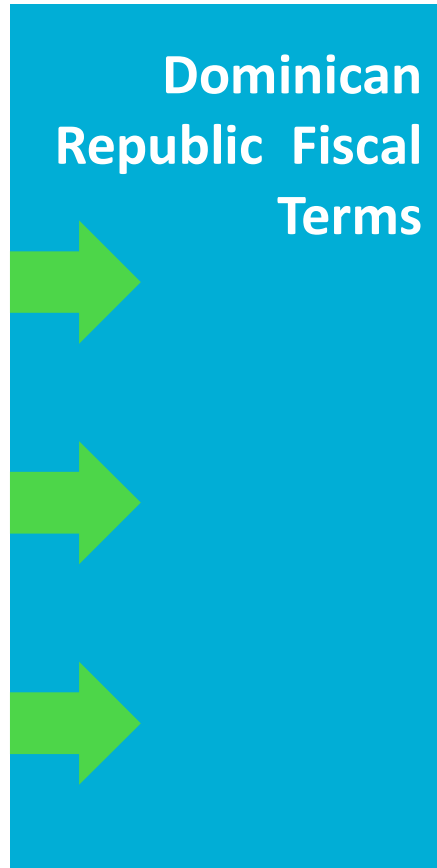
Encourage development of marginal projects



Capture greater "State Share" in projects of greater profitability



Competitive terms applicable for oil and gas developments



## Outcome

1<sup>st</sup> quartile competitiveness globally

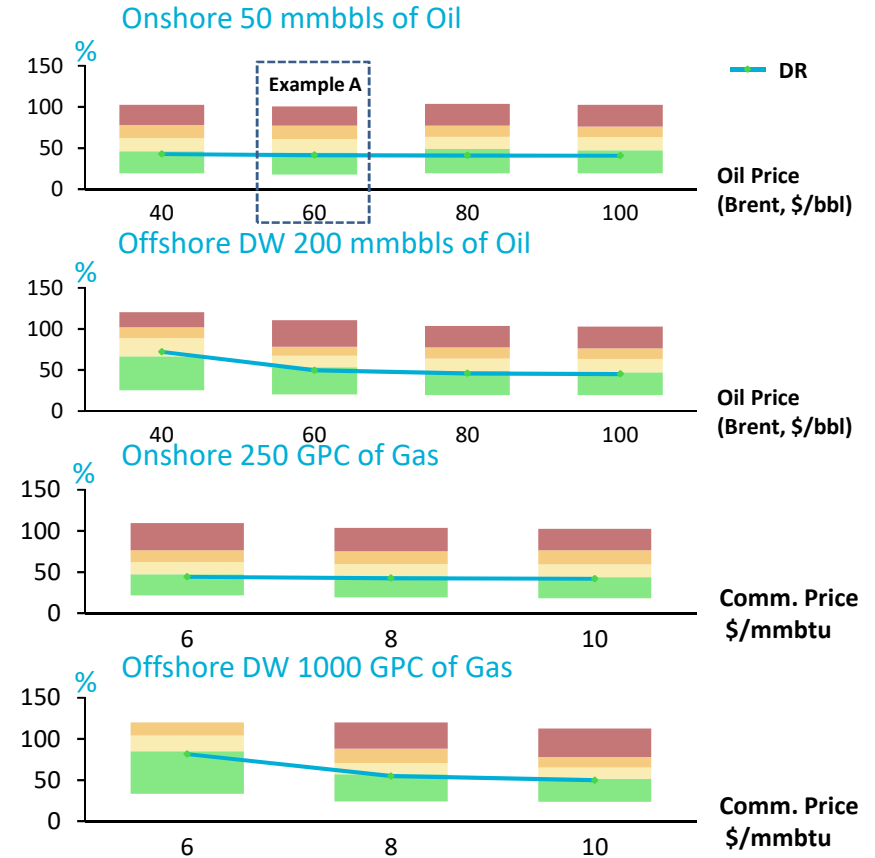
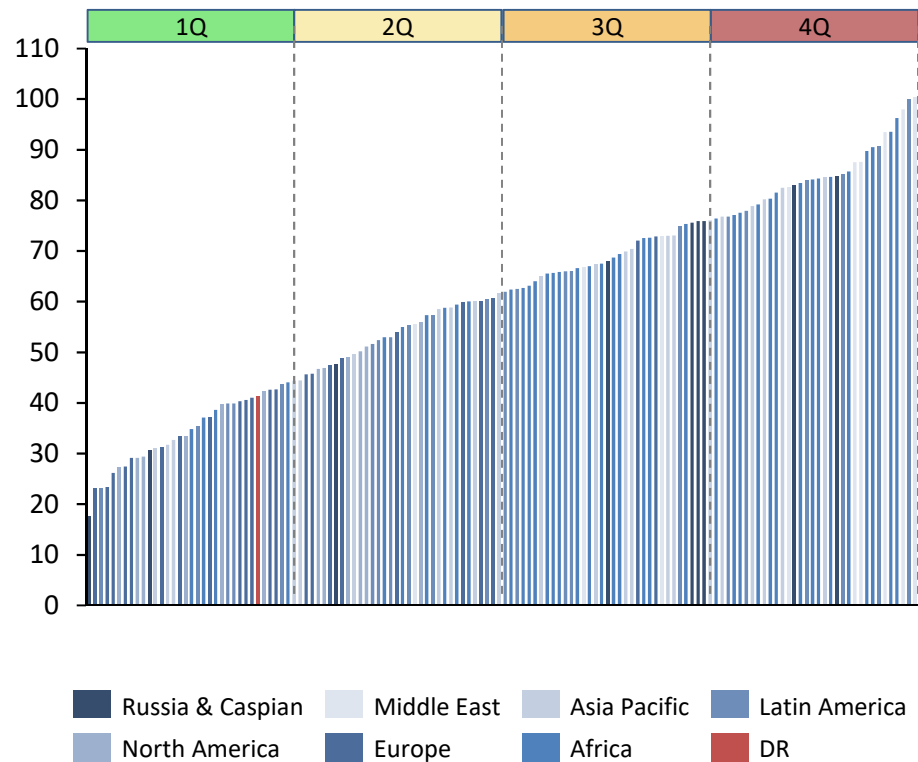
Measured across all basins, sizes of discoveries and at different prices

Progressive and equitable

# Resulting in Dominican Republic having fiscal terms among top quartile globally in multiple scenarios for oil and gas

## Onshore 50 mmbbls of Oil – Brent price \$60/bbl (Example A)

% - State Share % Pre-share NPV10



Notes: For clarity, State Share was limited to 120% on the graphs  
 Source: Wood Mackenzie Consulting and Wood Mackenzie Fiscal Service

Doing business in DR poses low risk to investors, further enhancing its competitive fiscal policies

### Low risk of doing business

- ✓ **No signing bonus** required
- ✓ **Flexible contract terms**
- ✓ **Free technical data** – available online
- ✓ **DR-CAFTA reduces tariffs** on imports
- ✓ **Contract law** – O&G contracts sanctioned by Congress, thus considered law
- ✓ **Arbitration** – Provision to settle disputes with int'l investors within 2 months
- ✓ **Investors can nominate or make suggestions to blocks**
- ✓ **Minimum \$ 2MM onshore and \$4 MM offshore** (Only 20% of additional commitments)

Source: Wood Mackenzie, MEM

### Ease of doing business

- ✓ **Equal treatment** of both domestic and foreign investors
- ✓ **Strategic location** in the Caribbean makes DR an **important commercial link** between Europe & Americas
- ✓ **Important logistics hub** with 8 int'l airports, 12 maritime ports, 3 cruise ports
- ✓ **World-class road circuit** connects all regions of the country and boosts economic activity



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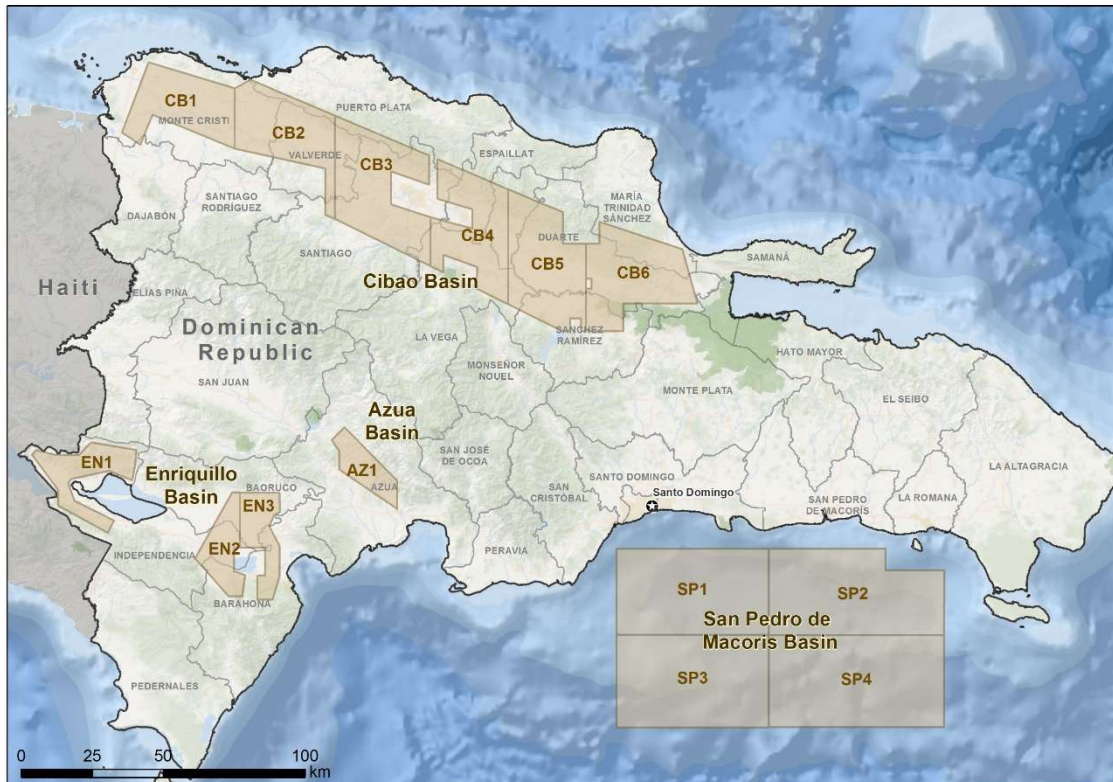
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Ongoing development of the oil & gas sector is marked by the 2019 licensing round offering an attractive portfolio of investment projects



### 1<sup>st</sup> Licensing Round

- **14 blocks total** – Maximum size per block of **500 km<sup>2</sup> onshore** and **2,500 km<sup>2</sup> offshore**
- Technical information publicly available
- Concludes in December, 2019

### Blocks on Offer

#### Onshore

- Cibao basin - 6 blocks
- Enriquillo Basin – 3 blocks
- Azua Basin – 1 block

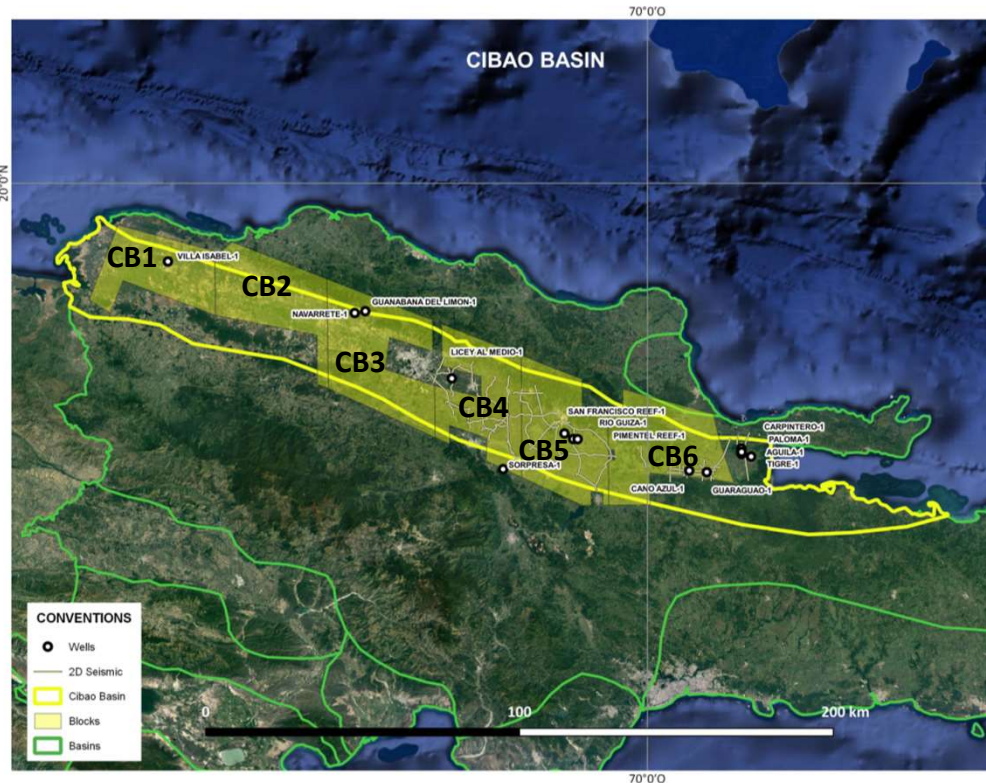
#### Offshore

- San Pedro de Macoris basin – 4 blocks

Source: Wood Mackenzie, MEM

# Six onshore blocks have been delineated in the Cibao basin

## Cibao Basin



### Blocks

- CB1, CB2, CB3, CB4, CB5, CB6

### Basin Area

- ~7000 km<sup>2</sup>

### Tectonics

- Asymmetrical Strike-slip basin

### Seismic

- ~630km 2D
- ~ 23% of 2D seismic coverage

### Wells Drilled

- 16 wells
- MD 1,000 ft - 12,000 ft
- ~ 70% of the wells < 6k ft

Source: Neoil Exploration

# Cibao basin highlights

## POSITIVES

## POTENTIALS

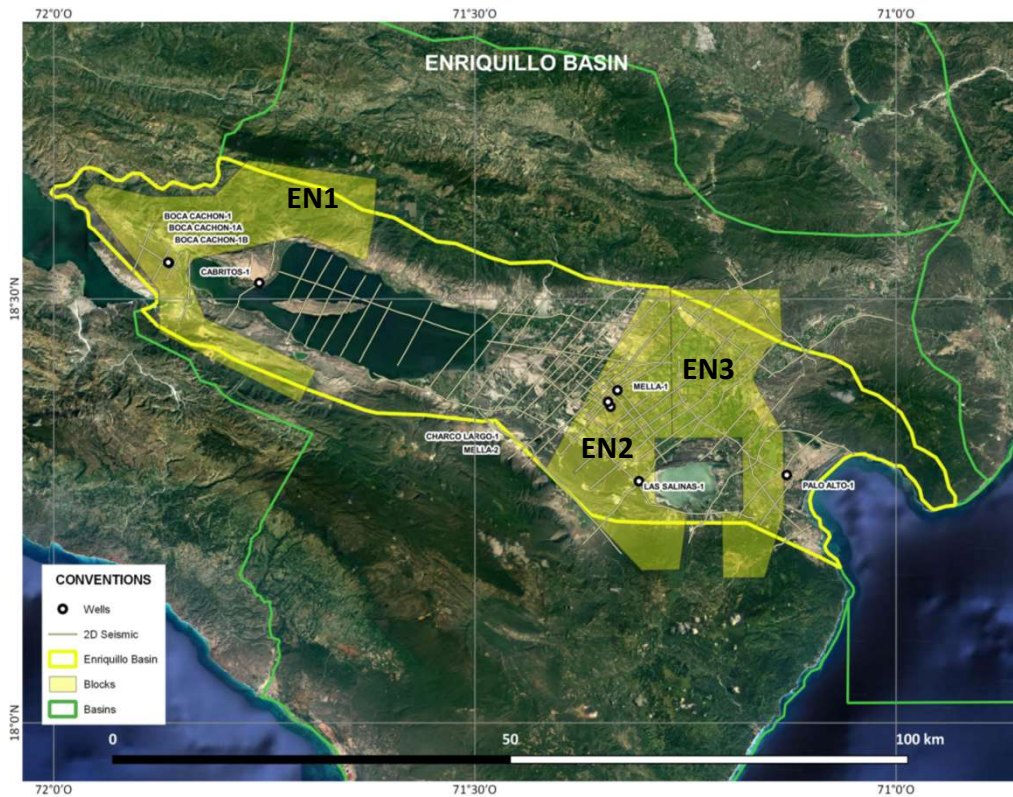
	POSITIVES	POTENTIALS
<b>Basin</b>	<ul style="list-style-type: none"> <li>• Frontier basin</li> <li>• Max sediment thickness to the north of ~18K ft</li> </ul>	<ul style="list-style-type: none"> <li>• Depocenter in the norther central part of the basin with potential HC generation</li> </ul>
<b>G&amp;G Data</b>	<ul style="list-style-type: none"> <li>• 2D seismic data available (~630 km)</li> <li>• 16 wells drilled</li> </ul>	<ul style="list-style-type: none"> <li>• Only ~20% seismic coverage                             <ul style="list-style-type: none"> <li>• Provides ~80% addt'l to test</li> <li>• Modern tech can improve dated info</li> </ul> </li> </ul>
<b>Petroleum System</b>	<ul style="list-style-type: none"> <li>• Type III gas- prone Kerogen (Tillman, 2015)</li> <li>• Pseudo well shows Tabera Group entering in oil window</li> </ul>	<ul style="list-style-type: none"> <li>• Potential source rock have subsided to depths of 18k ft</li> <li>• Marine sediments (Tabera fm) may have kerogen Type II</li> </ul>
<b>Prospectivity</b>	<ul style="list-style-type: none"> <li>• 16 wells, 4 of them with gas shows</li> <li>• At least 3 plays in the basin</li> <li>• Several potential prospects</li> </ul>	<ul style="list-style-type: none"> <li>• High-angle transpressive faults, positive flower structures, anticlines identified in 2D – potential structural traps</li> </ul>

Source: Neoil Exploration



## Three onshore blocks have been delineated in the Enriquillo basin

### Enriquillo Basin



#### Blocks

- EN1, EN2 and EN3

#### Basin Area

- 3,100 km<sup>2</sup>

#### Tectonic

- Synclinal, Upper Miocene to recent sedimentary ramp basin

#### Seismic

- ~1,000 km 2D
- ~90% of 2D seismic coverage

#### Wells Drilled

- 9 wells
- MD 500 ft-15,800 ft.
- ~ 80% of the Wells < 9k Ft

Note: From Mann et al., 1991

Source: Neoil Exploration



# Enriquillo basin highlights

## POSITIVES

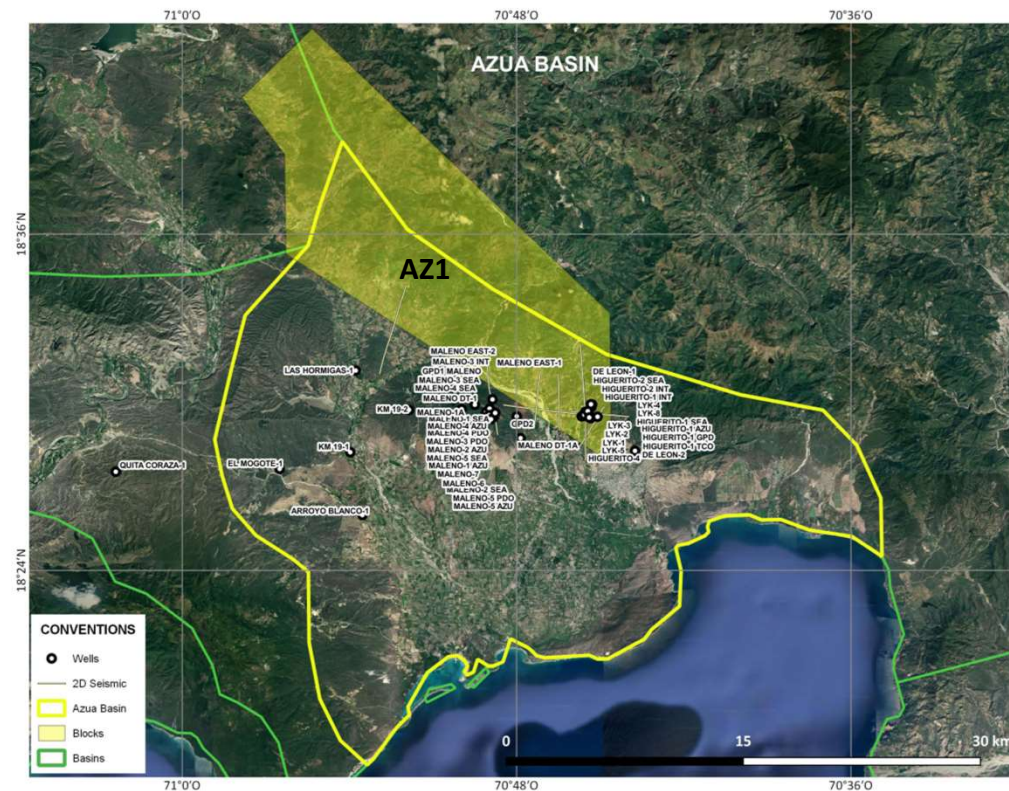
## POTENTIALS

<b>Basin</b>	<ul style="list-style-type: none"> <li>• Frontier basin</li> <li>• Max sediment thickness is over ~18K ft</li> </ul>	<ul style="list-style-type: none"> <li>• Depocenter in the Central part of the basin with proved HC generation</li> </ul>
<b>G&amp;G Data</b>	<ul style="list-style-type: none"> <li>• 2D seismic data available (~1,000km)</li> <li>• 9 wells drilled</li> <li>• Basin w/ most seismic coverage on the island</li> </ul>	<ul style="list-style-type: none"> <li>• ~90% seismic coverage</li> <li>• Modern tech can improve dated info</li> </ul>
<b>Petroleum System</b>	<ul style="list-style-type: none"> <li>• HC generation proved by oil &amp; gas seeps</li> <li>• 3 source rocks (Trinchera, Sombrerito &amp; Plaisance Fm.)</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for biogenic &amp; thermogenic gas (Trinchera Fm.)</li> </ul>
<b>Prospectivity</b>	<ul style="list-style-type: none"> <li>• At least 3 plays in the basin</li> <li>• 4 Wells with gas shows</li> <li>• Several undrilled prospects identified</li> </ul>	<ul style="list-style-type: none"> <li>• Traps: Thrust structures, salt related structures, potential in carbonate and reef associated deposits</li> </ul>

Source: Neoil Exploration

# One onshore block has been delineated in the Azua basin

## Azua Basin



### Block

- AZ1

### Basin Area

- ~800 km<sup>2</sup>

### Tectonic

- Synclinal, Upper Miocene to Recent sedimentary ramp basin

### Seismic

- ~40 km 2D
- 10% of 2D seismic coverage

### Wells Drilled

- 58 wells
- MD 300 ft-13,000 ft
- ~ 60% of the Wells < 3k ft

Note: From Mann et al., 1991  
Source: Neoil Exploration

# Azua basin highlights

## POSITIVES

## POTENTIALS

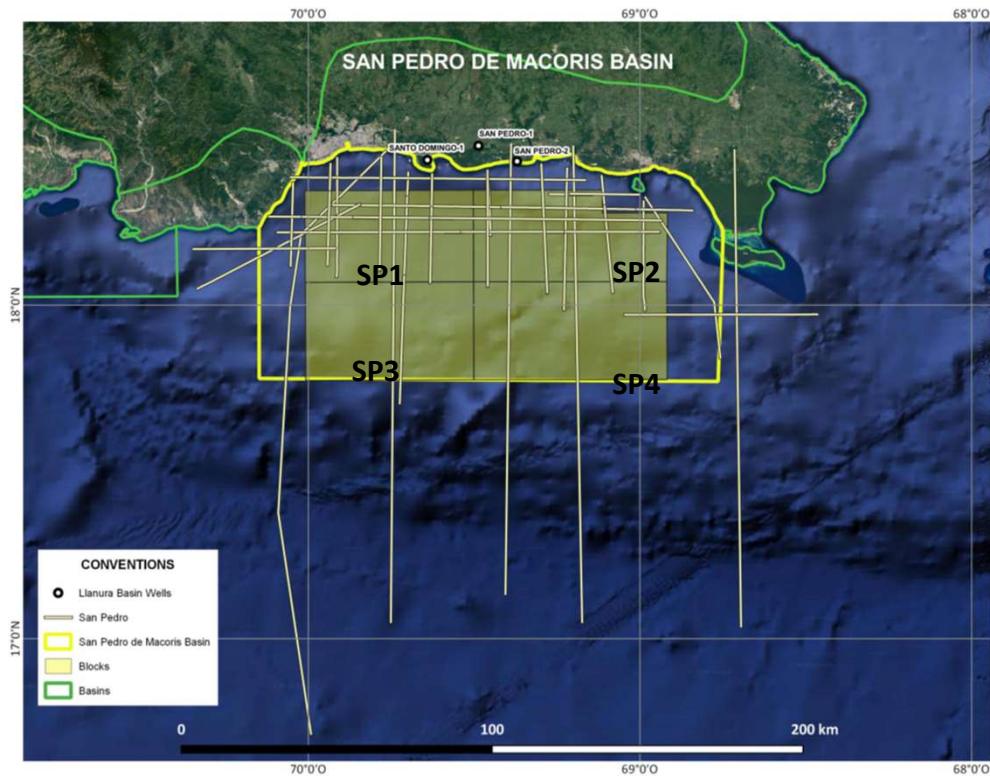
<p><b>Basin</b></p>	<ul style="list-style-type: none"> <li>• Frontier basin</li> <li>• Max sediment Thickness of ~14K ft.</li> </ul>	<ul style="list-style-type: none"> <li>• Depocenter in the Northeast part of the basin with HC generation</li> </ul>
<p><b>G&amp;G Data</b></p>	<ul style="list-style-type: none"> <li>• 2D seismic data available (42 km)</li> <li>• 58 wells drilled</li> </ul>	<ul style="list-style-type: none"> <li>• Only 10% seismic coverage                             <ul style="list-style-type: none"> <li>• Provides 90% add'l to test</li> <li>• Modern tech can improve dated info</li> </ul> </li> </ul>
<p><b>Petroleum System</b></p>	<ul style="list-style-type: none"> <li>• Proved petroleum system with 2 existing fields</li> <li>• Several oil seeps in the central part of the basin</li> <li>• Arroyo Blanco Fm (Miocene) has produced Oil (20° API)</li> </ul>	<ul style="list-style-type: none"> <li>• Most wells drilled planned on oil seeps</li> <li>• Outcrop samples with kerogene Type II/III &amp; TOC &gt;1</li> <li>• Sulphurous content of gas encountered in Azua wells would suggest a contribution from a limestone source rock</li> </ul>
<p><b>Prospectivity</b></p>	<ul style="list-style-type: none"> <li>• At least 3 plays in the basin</li> <li>• Oil production achieved (Maleno &amp; Higuerito fields)</li> <li>• Maleno-1 SEA produced 13K bbl of oil</li> <li>• Maleno-1A produced 5K bbl of oil</li> <li>• LYK wells produced 5K bbl</li> </ul>	<ul style="list-style-type: none"> <li>• High angle transpressive faults, positive flower structures and anticlines identified in 2D seismic-as potential structural traps</li> </ul>

Source: Neoil Exploration



## Four offshore blocks have been delineated in the San Pedro De Macoris basin

### San Pedro de Macoris Basin



#### Blocks

- SP1, SP2, SP3 and SP4

#### Basin Area

- ~10,000 km<sup>2</sup>

#### Tectonic

- Forearc basin

#### Seismic

- ~1900 km 2D
- ~70% of 2D seismic coverage

#### Wells Drilled

- 3 wells on the onshore part of basin (Llanura Oriental basin)

Source: Neoil Exploration

# San Pedro basin highlights

	POSITIVES	POTENTIALS
Basin	<ul style="list-style-type: none"> <li>• Frontier basin</li> <li>• Sediment thickness ~14K ft</li> </ul>	<ul style="list-style-type: none"> <li>• Depocenter in the southern part of the basin with HC generation</li> </ul>
G&G Data	<ul style="list-style-type: none"> <li>• 2D seismic data available (~1900 km)</li> <li>• 3 wells on the onshore part of the basin (Llanura Oriental basin)</li> </ul>	<ul style="list-style-type: none"> <li>• 67% seismic coverage                             <ul style="list-style-type: none"> <li>• Modern tech can improve dated info</li> </ul> </li> </ul>
Petroleum System	<ul style="list-style-type: none"> <li>• San Pedro-1, showed paraffin &amp; light oil with 30° API</li> <li>• Proved petroleum system with oil shows in the onshore part of the basin</li> </ul>	<ul style="list-style-type: none"> <li>• Potential source rock in the oil window in the deepest depocenter of the basin</li> </ul>
Prospectivity	<ul style="list-style-type: none"> <li>• At least 3 plays in the basin</li> </ul>	<ul style="list-style-type: none"> <li>• Seismic shows potential structural traps, and also stratigraphic traps (Pinch outs &amp; Turbidite fans)</li> </ul>

Source: Neoil Exploration



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The Dominican Republic blocks will be awarded based on a clear and transparent set of rules



### Pre-qualification criteria

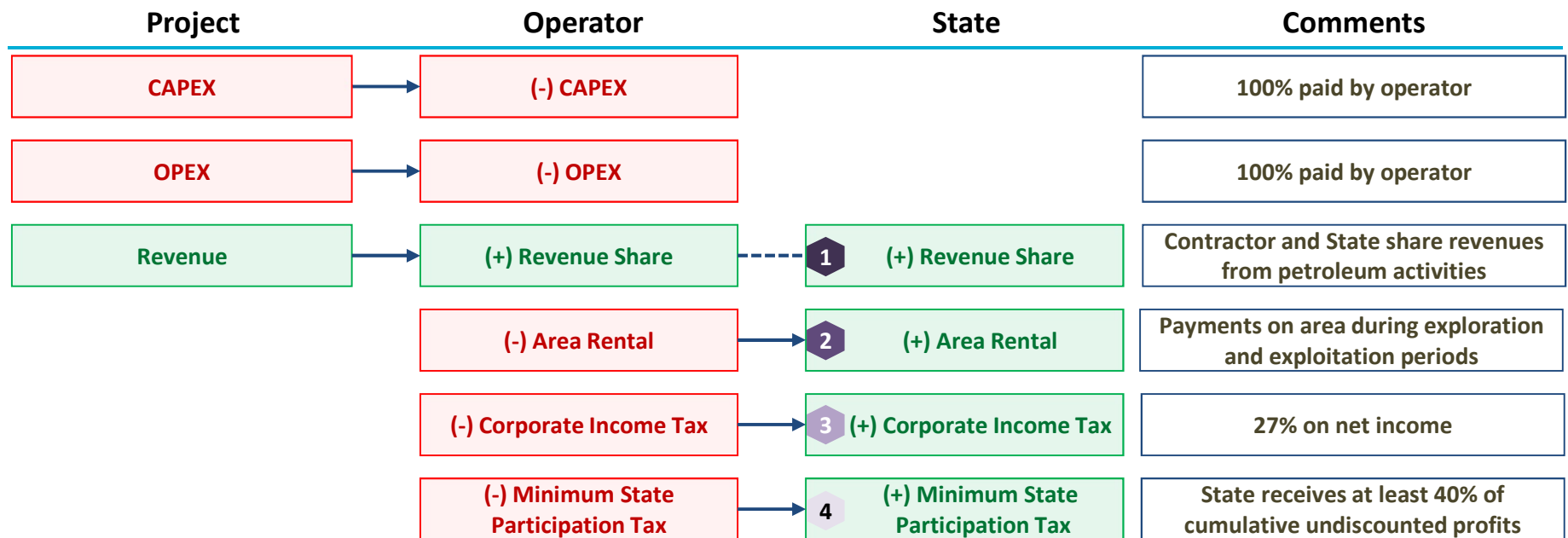
- Legal Capacity
- Financial Capacity
- Operational Capacity
- HSE Capacity
- Energy Intelligence: Top 100 - waiver



### Transparent Award Process

- Equal opportunities for all participants
- All bids will be open publicly
- Simple and concise winning bid criteria based on work units

The fiscal regime is designed to be simple, flexible and equitable while allowing the production of projects of all sizes



Source: Wood Mackenzie Consulting

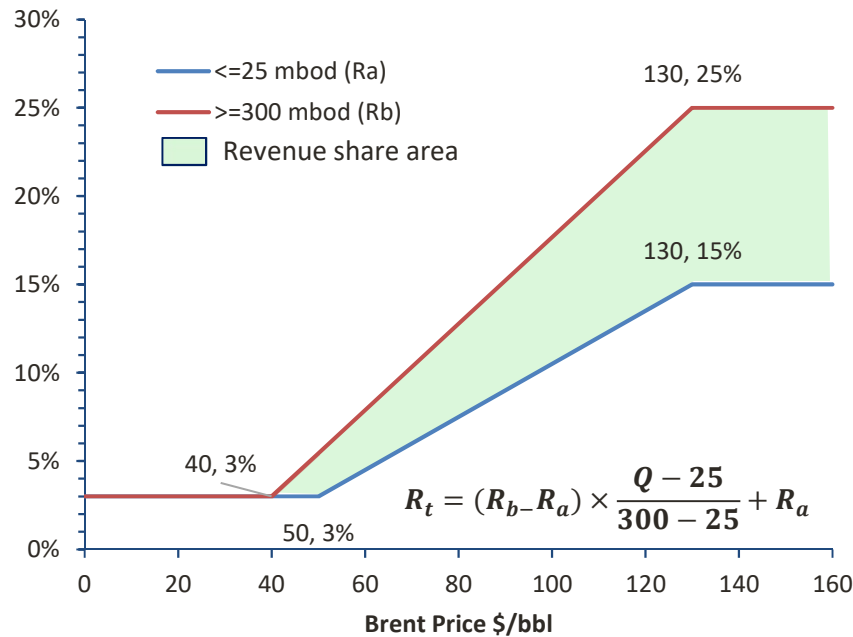


# Revenue Share will be adjusted based on price and oil production

1 (+) Revenue Share

## OFFSHORE

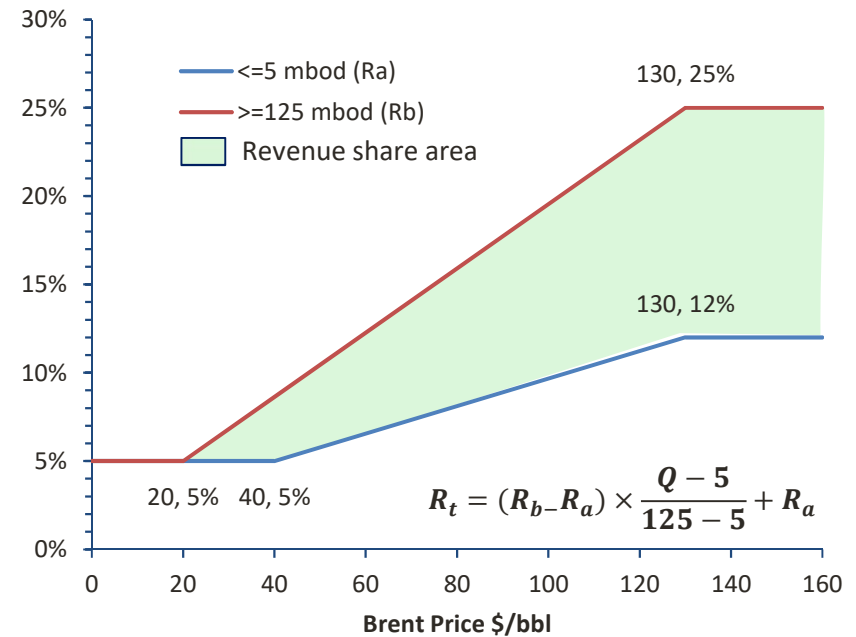
Revenue Share



## ONSHORE

Oil

Revenue Share



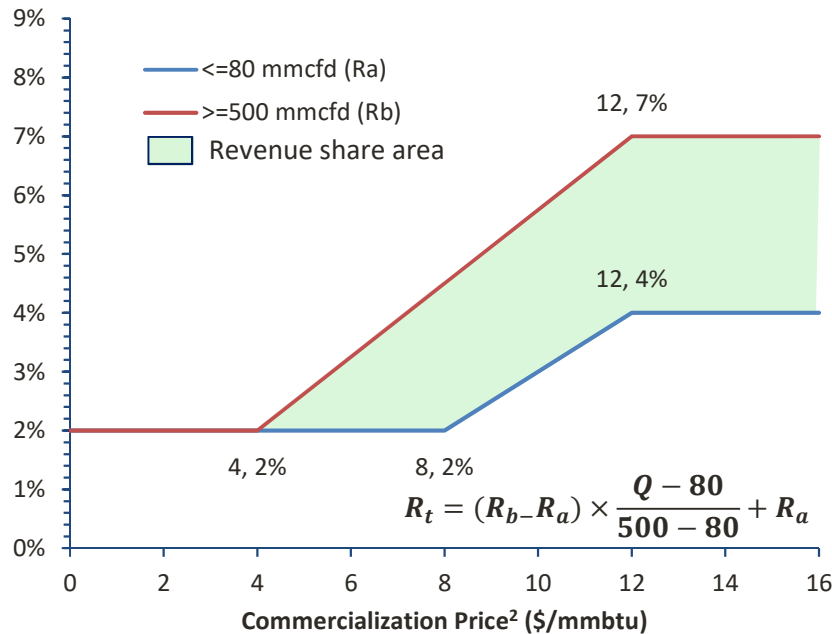
Note: Price is not adjusted by inflation; Offshore includes shallow and deep water  
 Source: Wood Mackenzie Consulting

# The same methodology applies for gas fields

1 (+) Revenue Share

## OFFSHORE 1

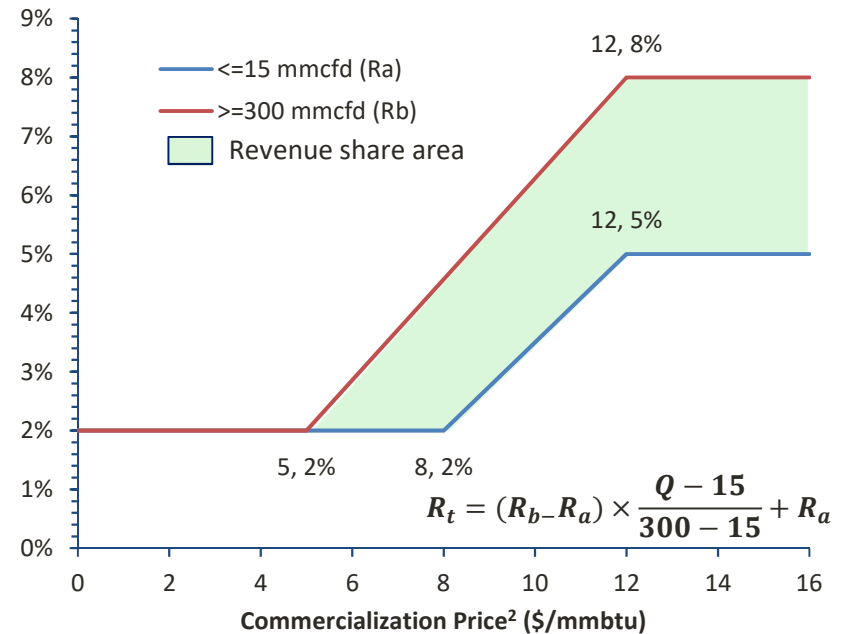
Revenue Share



## ONSHORE

Gas

Revenue Share



Notes: 1. Offshore includes shallow and deep water; 2 Commercialization prices for gas are determined by the parity import price for LNG in the Dominican Republic.

Source: Wood Mackenzie Consulting



## Others key elements of the fiscal terms reduce the cost of the E&P activities



### Abandonment Fund

- Funds sent annually to an "Escrow account"
- Based on units of production, starting on the 5th year of production; the fund must be fully funded 2 years prior to the end of the project



### Withholding tax

- **Tax exceptions** for exploration activities
- 10% tax rate for the rest of project and for dividends and debt interest




### VAT (ITBIS)

- 18% tax rate
- Not applicable for exports
- VAT **refunded** annually


Notes: Law 64-00 (Tax on Non-renewable resources), the State allocates 5% of the income received to affected municipalities, specifically to develop projects identified in municipal MEPyD development plans (Not paid by the Contractor)

# The operator has long periods for exploration, evaluation, and exploitation

	Activities
 Exploration	<ul style="list-style-type: none"> <li>• <b>Onshore:</b> 8 years total (Initial period 3 yrs; second 3 yrs; third 2 yrs)</li> <li>• <b>Offshore:</b> 10 years total (Initial period 4 yrs; second 3 yrs; third 3 yrs)                             <ul style="list-style-type: none"> <li>» Possibility of 1-year extension per period (MEM authorization)</li> </ul> </li> </ul>
Evaluation	<ul style="list-style-type: none"> <li>• <b>Onshore:</b> 2 years; <b>Offshore:</b> 3 years                             <ul style="list-style-type: none"> <li>» Non-associated gas – 10 years</li> <li>» Possibility of extension of 2 years (MEM authorization)</li> </ul> </li> </ul>
Relinquish-ment	<ul style="list-style-type: none"> <li>• &gt; 25% of orig. exploration area returned at end of first exploration period                             <ul style="list-style-type: none"> <li>» Excludes areas designated as evaluation and exploitation</li> <li>» &gt;34% of remaining area at end of second exploration period</li> </ul> </li> </ul>

Initial exploitation period is 25 years with possible extension to the end of field’s economic life

The round will require guarantees from operators at different stages



	Purpose	Duration	Value
<b>Corporate guarantee</b>	Guarantee from parent company to fulfill contractual obligations in the DR	Contract duration	Limited to \$350 million
<b>Offer guarantee</b>	Ensures the seriousness of the bid during the round	Valid during the bid process and until blocks are awarded	US\$100,000
<b>Exploration period guarantee</b>	Ensures companies will fulfill their work commitments during the exploration round	Valid during the exploration period	100% of minimum work commitment and 20% of additional work commitment

Source: Terms of Reference



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E&P companies may participate as an operator or non-operator as part of a consortium

Criteria	Company	Variable	Onshore	Shallow water	Deep Water
Financial	Operator	Shareholder Equity	US\$60 mm	US\$120 mm	US\$350 mm
		Net working capital	US\$15 mm	US\$30 mm	US\$60 mm
	Non Operator	Shareholder Equity	US\$30 mm	US\$60 mm	US\$175 mm
		Net working capital	US\$7.5 mm	US\$15 mm	US\$30 mm
Technical	Operator	Operated Exploration wells over last 5 years	3 wells	2 wells	1 well
		Minimum average operated production in 2018	2,000 boe/d	5,000 boe/d	10,000 boe/d
	Non Operator		No applicable		
HSE	Operator	• ISO 14001 and OHSAS 18001 Certification or Company HSE Policy			
	Non Operator	No applicable			




- Companies will have to provide 20F, 10K or audited financial statements and applicable certifications
- Operators will need to fulfill either exploration wells or operated production qualifying criteria and a minimum Working Interest of 30%
- Operators that meet qualifications for Deepwater are considered qualified for shelf and onshore and operators who qualify for shelf are considered qualified for onshore

• Companies belonging to the “Energy Intelligence Top 100” will be exempt from all requirements

Source: Terms and Conditions



## The Awarding Criteria was designed to be simple and transparent

<p><b>Minimum work commitment</b></p>		<ul style="list-style-type: none"> <li>All blocks will have a minimum work commitment measured in working units (WU), equivalent to an USD amount</li> </ul>
<p><b>Awarding Criteria</b></p>		<ul style="list-style-type: none"> <li>Companies must offer an additional work commitment measured in WU, applicable to the 1<sup>st</sup> exploration phase</li> <li>The company/consortium offering the highest addition work commitment, wins the block</li> </ul>
<p><b>Tie breaker</b> Additional work commitment</p>		<ul style="list-style-type: none"> <li>In case of a tie, the company/consortium offering the highest additional work commitment for a tie, wins the block</li> </ul>



## The work commitments are flexible while incentivizing exploration activities

### 1 Minimum work commitments

- Work units are valued at US\$5,000 per WU
- Minimum work commitment of 400 WU for **onshore** blocks (~US\$ 2 million)
- Minimum work commitment of 800 WU for **offshore** blocks (~US\$ 4 million)

### 2 Exploration period work commitments

- **1<sup>st</sup> exploration period:** minimum + additional offered in bid round
- **2<sup>nd</sup> exploration period:** 2X minimum work commitment on 1<sup>st</sup> exploration phase
- **3<sup>rd</sup> exploration period:** 1 exploration well

The Round will close at the end of this year, followed by signature and Congress approval

Activities	2019						2020			Duration	
	Q3			Q4			Q1				
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
<b>Roadshow Launching Stage</b>											
Houston Roadshow	◆ 7/10/19										1d
<b>Clarification Stage</b>											
Companies qualification	██										14w
Study of documents	██										16w
Publication of qualified companies					◆ 11/8/19						1d
<b>Competitive Process</b>											
Questions on process and documents	██										19w
Block observations	██			09/13/19	◆ Final version of blocks (11/21/19)						10w
Answers and MEM settings	██										18w
Offer preparation	██										20w
Bid round							◆ Winners announced (Nov 27)			1d	
Preparation of documents for signature						██				8w	
Contract signature						██				8w	
Approval by the Congress							██			9w	

Note: W = Week, d = days



## The contracts have built-in provisions that enhance DR's competitive fiscal policies



**Flexible contract phases**



**Clearly defined company guarantees**



**Simple environmental requirements**



**Expedited dispute resolution period**



**Stability clause in contracts**

# Thank you!



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[info@roundsdr.gob.do](mailto:info@roundsdr.gob.do)

Technical info at [www.bndh.gob.do](http://www.bndh.gob.do)