

## Maurel & Prom announces the completion of the acquisition of Shell's stake in the Urdaneta West field in Venezuela

- **New milestone in Maurel & Prom's growth strategy in Latin America**
- **Urdaneta West field is a producing asset with large reserves and significant upside potential**
- **An appropriate organisational and contractual framework has been set up to ensure an efficient redevelopment of the asset and secure payments**

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**Etablissements Maurel & Prom (Euronext Paris: MAU, ISIN FR0000051070, "Maurel & Prom")** announced in the press release published on 12 October 2018 the signature of a Share Sale and Purchase Agreement (the "SSPA") for the acquisition of Shell Exploration and Production Investments B.V.'s ("Shell") 40% interest as "Shareholder B" in Petroregional del Lago Mixed Company (the "Mixed Company"), which operates the Urdaneta West field in Lake Maracaibo, Venezuela (the "Field").

Further to this publication, Maurel & Prom is delighted to announce that all condition precedents have been satisfied and that the acquisition has been completed.

The total consideration for the acquisition of Shell's shares in the Mixed Company is €70 million, funded from Maurel & Prom's existing cash resources and composed as follows:

- €47 million which have been paid at closing of the transaction, and
- €23 million payable in December 2019, on the anniversary date of the transaction closing.

Maurel & Prom Venezuela, subsidiary of Maurel & Prom, has replaced Shell as Shareholder B in the Mixed Company, with a 40% interest. Petróleos de Venezuela S.A. ("PDVSA"), wholly owned subsidiaries Corporación Venezolana del Petróleo ("CVP") and PDVSA Social ("PDVSAS") collectively referred to as "Shareholder A", jointly own the remaining 60% stake of the Mixed Company.

### **New milestone in Maurel & Prom's growth strategy in Latin America**

Michel Hochard, Chief Executive Officer of Maurel & Prom, declared: *"This transaction fits Maurel & Prom's growth strategy, focusing on opportunities with significant potential in regions and countries where we have operating experience. It provides us access to an established producing asset in a world class petroleum system, with a potential for significant production improvements. Investments in oil and gas projects require a long term approach, and we expect that jointly with PDVSA and its subsidiaries we will help boost the redevelopment of the Field in the years to come. We have operated in Venezuela in the past and our experience of the region make us confident in the ability to transform this opportunity into a successful project."*

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## **Producing asset with large reserves and significant upside potential**

The production of the Field in 2018 is estimated to be around 15,500 barrels of oil per day on a 100% basis (approximately 6,200 barrels of oil per day net to Shareholder B's 40% interest), and there is potential for a swift ramp-up in production. In particular, it is expected that a number of targeted well interventions in the first months of operations could have a significant impact on production.

Maurel & Prom will also maintain the efforts which have been deployed over the years to achieve high standards of health, safety, and environmental practices on the Field.

As announced in the press release published on 12 October 2018, Maurel & Prom has agreed to a redevelopment plan to increase the production of the Field. The redevelopment plan (amounting to up to c.€350 million for the period 2018-2023) will be partly funded by operating cash flow from the asset, and partly with funds advanced by Maurel & Prom Venezuela (the "Project Funding").

In addition to this, the Field offers significant growth optionality through the development of additional resources, and the possible extension of the licence duration beyond its current term in 2026.

## **An appropriate organisational and contractual framework set up to ensure an efficient redevelopment of the asset and secure payments**

As part of the transaction, a number of contracts have been pre-approved by the Mixed Company in order to ensure the restart of the work programme operations and guarantee a smooth circulation of cash flows.

On the operational side, Maurel & Prom Venezuela will provide the Mixed Company with technical assistance through a dedicated structure controlled by Maurel & Prom Venezuela, the "Technical Assistance Company" ("TAC"), registered in Venezuela and established in Maracaibo. In particular, the Technical Assistance Company is intended to closely support the Mixed Company for the conception and implementation of development plans. A significant amount of work has been performed already in order to start a work programme immediately after completion and see a swift impact on production.

Maurel & Prom will also appoint a number of secondees for certain positions within the Mixed Company, in an agreement similar to what Shell had in place as Shareholder B.

On the financial side and in order to secure the access to cash flows and guarantee the payments to the various stakeholders, it has been agreed that the oil production of the Field would be split in two parts:

- A portion of the production will be retained by PDVSA in order to satisfy Venezuelan taxes and royalties as well as a portion of the dividends due to the Shareholder A;
- The balance of production will be made available by PDVSA to be lifted by a buyer designated by the Mixed Company from the Ulé terminal in Lake Maracaibo. The proceeds from the sale will be denominated and paid in euros to a bank account located outside Venezuela (the "Collection Account").

Funds transferred to the Collection Account will be used for the payment of contractors for operating and capital expenditures, as well as the payment of dividends to Shareholder B. Reimbursements made to Maurel & Prom Venezuela under the terms of the Project Funding will also flow through the Collection Account.

This press release contains inside information as per the definition of article 7 of Regulation n°596/2014.

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For more information, visit [www.maureletprom.fr](http://www.maureletprom.fr)

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*This document may contain forward-looking statements regarding the financial position, results, business and industrial strategy of Maurel & Prom. By nature, forward-looking statements contain risks and uncertainties to the extent that they are based on events or circumstances that may or may not happen in the future. These projections are based on assumptions we believe to be reasonable, but which may prove to be incorrect and which depend on a number of risk factors, such as fluctuations in crude oil prices, changes in exchange rates, uncertainties related to the valuation of our oil reserves, actual rates of oil production and the related costs, operational problems, political stability, legislative or regulatory reforms, or even wars, terrorism and sabotage.*

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