

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

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In re: : Chapter 11
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COBALT INTERNATIONAL ENERGY, INC., *et al.*,¹ : Case No. 17-36709 (MI)
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Debtors. : (Jointly Administered)
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**OBJECTION OF AD HOC COMMITTEE OF UNSECURED NOTEHOLDERS
TO THE DEBTORS’ FOURTH AMENDED JOINT CHAPTER 11 PLAN
[Related Docket No. 561]**

The Ad Hoc Committee of Unsecured Noteholders (the “Ad Hoc Committee”), whose members are the beneficial holders of, or are investment managers or advisors to funds or accounts that are the beneficial holders of, the 2.625% Convertible Senior Notes due 2019 and the 3.125% Convertible Senior Notes due 2024 issued by Cobalt International Energy, Inc., hereby submits this objection (the “Objection”) to the *Fourth Amended Joint Chapter 11 Plan of Cobalt International Energy, Inc. And Its Debtor Affiliates* [Docket No. 561] (the “Plan”).² In support of its Objection, the Ad Hoc Committee respectfully states as follows:

PRELIMINARY STATEMENT

1. The Plan is premised on the results of an auction that was not competitive and that failed to lead to true price discovery. Those results do not represent fair value for the Debtors’ assets and, for that reason, the Court should not confirm the Plan.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Cobalt International Energy, Inc. (1169); Cobalt International Energy GP, LLC (7374); Cobalt International Energy, L.P. (2411); Cobalt GOM LLC (7188); Cobalt GOM # 1 LLC (7262); and Cobalt GOM # 2 LLC (7316). The Debtors’ service address is: 920 Memorial City Way, Suite 100, Houston, Texas 77024.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.



2. The Ad Hoc Committee does not suggest that the Debtors failed to make a substantial effort or acted in bad faith in their conduct relating to the Auction. That the Debtors gave it the “old college try,” however, is not a sufficient basis for the Court to determine that the Plan has been proposed in “good faith” as that term is used in section 1129(a)(3) of the Bankruptcy Code. Section 1129(a)(3) requires more. Among other things, section 1129(a)(3) requires that a plan proponent establish by a preponderance of the evidence that its plan maximizes the value of the debtor’s estate. Where a plan proponent has not established this, the plan cannot be confirmed regardless of good intentions.

3. The Ad Hoc Committee anticipates that the Debtors will rely principally—maybe solely—on the fact that they have engaged in a marketing process and that an auction has occurred to demonstrate that the Plan maximizes value. Any such reliance, however, would be misplaced as the lack of competition at the Auction renders its results suspect and inherently unreliable. Moreover, all other indicia of value suggest that the results of the Auction undervalue the Debtors’ assets by hundreds of millions of dollars—perhaps over a billion dollars.

4. Only one third-party bid was submitted for the Debtors’ crown jewel—their 60 percent working interest in the North Platte field. That one bid was a joint bid submitted by Statoil and Total, two of the most natural competitors for the asset, thereby minimizing competition. Moreover, Total owns the remaining 40 percent working interest in the North Platte field [REDACTED]. As a consequence, Total and any party participating in a joint bid with Total would have a clear informational and financial advantage over all other potential bidders, thereby further minimizing competition.

[REDACTED]

[REDACTED]

[REDACTED]

6. Unfortunately, because Statoil and Total's joint bid was the only viable bid for North Platte, the Debtors have not scrutinized it. Instead, the Debtors believe that they have no choice but to hold their noses and look the other way. The Ad Hoc Committee has taken discovery regarding the proposed sale of the North Platte assets, but is not in a position to give Statoil's and Total's joint bid the scrutiny it deserves given the short timeframe. [REDACTED]

[REDACTED]

7. Worse, because Total had a clear interest in the Debtors' Gulf of Mexico assets, the Ad Hoc Committee requested early in the Debtors' marketing process the right to speak directly with Total regarding a potential recapitalization of the Debtors involving Total and assisted by the Ad Hoc Committee. The Debtors denied that request and prohibited the Ad Hoc

Committee from doing so. Upon information and belief, the Second Lien Ad Hoc Group made a similar request to speak with Total and that request was also denied. Ironically, Total's main competition for the Debtors' assets was permitted to speak directly with Total, but those in the capital structure who were in a position to perhaps facilitate a value-maximizing transaction were not permitted under the premise that there would nevertheless be substantial competition for the Debtors' assets. As we now know, that premise was incorrect and there was no real competition.

8. The Ad Hoc Committee also indicated to the Debtors that it would be willing to speak with *any* potential bidder that was in need of financing to complete its bid. The Debtors made no introductions prior to the conclusion of the Auction, even when they received few bids at the Bid Deadline.

9. Although the Ad Hoc Committee has been vocal in its support for the Debtors' marketing process, it has been equally vocal about its concern that the Auction might not produce bids that represent fair value for the Debtors' assets. The Ad Hoc Committee has also been vocal about the possibility that a standalone recapitalization might be a better outcome for the chapter 11 cases and has consistently reserved its rights on these issues.

10. Following the Auction, the Ad Hoc Committee has desperately pursued a standalone new-money plan and, having only now been permitted to do so, has had advanced discussions with at least two world-class operators.³ The complexity of the situation, however, has prevented the Ad Hoc Committee from reaching a committed agreement by the date hereof.

³ Given the complex nature of the Debtors assets, any alternative transaction must involve a qualified operator to be viable. Unfortunately, the operators that the Ad Hoc Committee has been engaging with since the Auction were previously participating in the Debtors' marketing process and, thus, the Ad Hoc Committee did not communicate with them. In fact, it was only by happenstance that, at the Auction, the Ad Hoc Committee's advisors learned that one such operator was very interested in the Debtors' assets but lacked financing, notwithstanding that the Ad Hoc Committee had expressed to the Debtors a willingness to potentially assist in such circumstances.

Notwithstanding this, the Ad Hoc Committee continues to work and believes alternatives are available.

11. The Ad Hoc Committee's concern is not merely academic. Pursuant to the Plan, holders of Unsecured Notes, who would be in-the-money by hundreds of millions of dollars if the Plan appropriately valued the Debtors' assets, will be completely disenfranchised and receive no distribution. The Ad Hoc Committee is confident that the Debtors will not meet their burden of demonstrating that the Plan maximizes the value of their estates for distribution to creditors. The Plan cannot be confirmed.

RELEVANT BACKGROUND

I. Cobalt's Gulf of Mexico Assets

12. Cobalt holds an ownership interest in approximately 125 blocks in the Gulf of Mexico ("GOM"), representing approximately 382,356 net acres leased. *Declaration Of David D. Powell, Chief Financial Officer Of Cobalt International Energy, Inc., In Support Of Chapter 11 Petitions And First Day Motions* [Docket No. 16] (the "First Day Declaration") ¶ 25. The assets include discoveries in four major oil fields: (a) North Platte; (b) Shenandoah; (c) Anchor; and (d) Heidelberg. *Id.* They also include certain exploration assets. *Id.*, Ex. A ¶ 76.

13. The Debtors own a 60-percent working interest in, and Debtor Cobalt International Energy, L.P. is the designated operator of, the North Platte field in accordance with the North Platte Prospect Offshore Operating Agreement between Cobalt and Total E&P USA, Inc. ("Total"), dated as of June 1, 2016. *Id.* ¶ 25. According to the Debtors, the estimated gross recoverable resource range for North Platte is 500 to 650 million barrels of oil equivalent ("BoE"). *Id.* The Debtors' interest in the North Platte Field is its most significant asset.

II. Prepetition Marketing Process

14. Following the failed sale of its Angolan assets, Cobalt determined in early-2017 to pursue a sale of all of its assets and entered into discussions with potential buyers regarding

the same. *Id.* ¶ 37; Oil & Gas Investor: Cobalt International Energy Weighs Sale Of Assets Or Company (Mar. 15, 2017, 2:50 PM), <https://www.oilandgasinvestor.com/cobalt-international-energy-weighs-sale-assets-or-company-1486281>. Two parties that expressed interest were Statoil Gulf of Mexico, LLC (“Statoil”) and Total, who were interested and evaluating potential transactions with the Debtors as early as May 2017, including with respect to North Platte. (See *Statoil’s Response to Emergency Motion of the Ad Hoc Committee of Unsecured Noteholders to Compel Compliance with Subpoenas* [Docket No. 659] (“Statoil’s Response”) ¶ 1 (disclosing that Statoil entered into a confidentiality agreement with Cobalt on May 16, 2017).)

[REDACTED]

IV. The Chapter 11 Cases

17. On December 14, 2017 (the “Petition Date”), the Debtors commenced these cases by filing voluntary petitions under chapter 11 of the Bankruptcy Code with the Court.

⁴ Cobalt had approximately \$660 million of cash and short-term investments on its balance sheet around this time. See Cobalt’s Form 10-Q for the period ended March 31, 2017.

The Sales Incentive Plan

18. To incentivize their senior management team to deliver maximum value for the Debtors' stakeholders, on November 13, 2017, the Debtors' compensation committee and board of directors adopted a sales incentive plan (the "Sales Incentive Plan"). *See Debtors' Motion For Entry Of An Order Authorizing And Approving The Debtors' Sales Incentive Plan* [Docket No. 126] (the "SIP Motion"), ¶ 2, Ex. A-1. Pursuant to the Sales Incentive Plan, the Debtors' senior management is eligible to share in a multi-tiered bonus pool that increases in value based on the total enterprise value of a Sale Transaction. *Id.* On December 21, 2017, the Debtors filed the SIP Motion seeking approval of the Sales Incentive Plan. *See id.* Following negotiations with the Committee and the Ad Hoc Committee, the Debtors agreed to, among other things, increase the Threshold (as defined in the Sales Incentive Plan) from \$1.25 billion to \$1.5 billion. On January 26, 2018, the Court approved the modified Sales Incentive Plan. *See Order Authorizing And Approving the Debtors' Sales Incentive Plan* [Docket No. 307] (the "SIP Order"). The proceeds of the Auction and the Sonangol settlement fall well short of this *minimum* threshold.

The Bidding Procedures

19. On the Petition Date, the Debtors also filed the first day declaration, which, among other things, stated Cobalt's intention to use the chapter 11 process to overcome certain impediments and drive their sale and restructuring efforts to conclusion with a value-maximizing transaction. *See First Day Declaration* ¶ 5. According to the First Day Declaration, in furtherance of the goal of maximizing value for their estates and based on discussions with potential buyers, the Debtors elected to commence these chapter 11 cases as a means to conclude the sale and marketing processes that had been initiated prepetition. *Id.* ¶¶ 11, 37.

20. On January 25, 2018, the Court entered the *Order (I) Approving Bidding Procedures For The Sale Of The Debtors' Assets, (II) Scheduling An Auction, (III) Approving The Form And Manner Of Notice Thereof, (IV) Scheduling Hearings And Objection Deadlines With Respect To The Debtors' Disclosure Statement And Plan Confirmation, And (V) Granting Related Relief* [Docket No. 299] (the "Bidding Procedures Order") establishing certain dates and deadlines related to the proposed sale of the Debtors' assets, approving the bidding procedures governing the submission, receipt, and analysis of all bids relating to the proposed sale of the Debtors' assets (attached to the Bidding Procedures Order as Schedule 1, the "Bidding Procedures") and authorizing the Debtors to conduct an auction (the "Auction") for any or all of the Debtors' assets or equity interests in the Debtors. Bidding Procedures Order ¶¶ 3-14, Sch. 1. Among other dates and deadlines, the Bidding Procedures Order set February 22, 2018 as the deadline for submitting bids (the "Bid Deadline") and March 6, 2018 as the date for the Auction. *Id.* ¶¶ 6, 8.

21. The Bidding Procedures provided, among other things, that, "[n]otwithstanding anything to the contrary in [the] Bidding Procedures, all substantive direct communications between and amongst Potential Bidders shall involve the Debtors and the Debtors' advisors, to the extent reasonably practicable." Bidding Procedures ¶ 4(a). Both the Bidding Procedures Order and the Bidding Procedures themselves require each Qualified Bidder (as defined therein) participating at the Auction to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the bidding; and (ii) its bid is a good-faith bona fide offer. Bidding Procedures Order ¶ 15; Bidding Procedures ¶ 8(e).

The Auction

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

23. [REDACTED] Prior to the Bid Deadline, Statoil requested the Debtors' permission to contact Total regarding the North Platte assets. (See Statoil's Response ¶¶ 4-6.) The Debtors acceded to Total's request to be in contact. (see id. ¶ 7.) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] As a result, the Debtors selected the following bids as Baseline Bids (as defined in the Bidding Procedures) for the Auction:

Field	Bidder	Bid Value	Assets
Heidelberg ⁵	[REDACTED]	[REDACTED]	The Debtors' 9.375% working interest in the Heidelberg Assets and other related assets.
Shenandoah	[REDACTED]	[REDACTED]	The Debtors' 20% working interest in the Shenandoah Assets and other related assets.
Anchor	[REDACTED]	[REDACTED]	The Debtors' 20% working interest in the Anchor Assets and other related assets.
North Platte	[REDACTED]	[REDACTED]	The Debtors' 60% working interest in the North Platte Assets and other related assets. The terms of the Joint Bid also required Cobalt to release any and all claims and rights it may assert against Total regarding the latter's non-participation in the AFE proposed by Cobalt on or about August 10, 2017.
Exploration Assets	[REDACTED]	[REDACTED]	Leases and other related assets with respect to the Debtors' exploration activities.

25. On March 6, 2018, the Debtors conducted the Auction. At the Auction, the Debtors determined the following to be the Successful Bidders and Backup Bidders:

- Heidelberg: The Successful Bidder for the Debtors' Heidelberg assets was GOM Offshore Holdings LLC, a credit bidding vehicle of the Second Lien Ad Hoc

⁵

[REDACTED]

Group, with a Bid of \$33.9 million. Auction Tr. 15:25-16:4. The Backup Bidder was W&T with a Bid of \$32 million. *Id.*

- Shenandoah: The Successful Bidder for the Shenandoah assets was Navitas with a Bid of \$1.8 million. *Id.* at 16:13-18. As Navitas' Successful Bid was the only Bid for these assets, there was no Backup Bidder. *Id.*
- North Platte: The Successful Bidders for the North Platte assets were Statoil and Total with the Joint Bid of \$339 million.⁶ *See id.* at 24:1-3. The Backup Bidder was GOM Offshore Holdings LLC with an aggregate Bid of \$540 million for the North Platte, Anchor and exploration assets (the "Second Lien Backup Bid"). *Id.* at 25:17.
- Anchor: The Successful Bidder for the Debtors' Anchor assets was Total with a Bid of \$181 million. *See id.* at 24:1-3. The Backup Bidder was GOM Offshore Holdings LLC with the Second Lien Backup Bid. *Id.* at 25:17.
- Exploration: The Successful Bidder for the exploration assets was Total with a Bid of \$25 million. *See id.* at 24:1-3. The Backup Bidder was GOM Offshore Holdings LLC with the Second Lien Backup Bid. *Id.* at 25:17.

26. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] and the Second Lien Ad Hoc Group agreed to a

reduction of the Second Lien Notes Claims of \$1.9 million. *See Bid Notice n. 4.*

27. On March 7, 2018, the Debtors filed the *Notice of Successful Bidders and Backup Bidders* [Docket No. 542] (the "Bid Notice"), which set forth the results of the Auction.

28. The following chart reflects the incremental change in price for each of the Debtors' assets from the Baseline Bid for such asset to the Successful Bid:

⁶ At Auction Total's winning bid was a multi-asset bid for North Platte, Anchor and the exploration assets which totaled \$545 million in the aggregate. Auction Tr. 24:1-24:7. Following the Auction, Total apportioned this aggregate purchase price among each of the three assets as stated herein.

Assets	Baseline Bidder & Baseline Bid	Successful Bidder & Successful Bid	Increase, If Any, in Bid & Implied S/BoE Amounts
Heidelberg	██████████ ██████████ ██████████	W&T \$31.1 million ██████████	██████████ ██████████
Shenandoah	██████████ ██████████ ██████████	Navitas \$1.8 million <i>(Implied \$0.02/BoE)</i>	██████████ ██████████
Anchor	██████████ ██████████ ██████████	Total \$181.0 million <i>(Implied \$1.51/BoE)</i>	██████████ ██████████
North Platte	██████████ ██████████ ██████████	Statoil and Total \$339.0 million <i>(Implied \$0.87/BoE)</i>	██████████ ██████████
Exploration	██████████ ██████████	Total \$25.0 million	██████████ ██████████
Aggregate Amounts	██████████	\$577.9 million	██████████

Total-Statoil Joint Bid for North Platte

29. Statoil's and Total's joint Successful Bid (the "Joint Bid") for the Debtors' 60% working interest in North Platte was finalized in a proposed Asset Purchase Agreement (the "Joint Bid APA"). The Joint Bid APA provides that Statoil and Total would acquire certain assets relating to the North Platte discovery, and as consideration for such assets Statoil and

Total would (a) pay a purchase price in cash equal to \$339,000,000 and (b) assume the Assumed Liabilities (as defined therein). (See Notice of Filing of Certain Successful Bid Documents, Ex. B [Docket No. 594-2] §§ 2.3, 3.1.)

30. The Joint Bid APA includes a provision whereby Cobalt agrees to release and relinquish any claim regarding Total's non-participation in the AFE proposed by Cobalt on or about August 10, 2017, including any claim or right to assert "pursuant to the Settlement Letter, the Operating Agreement or otherwise and whether through arbitration or other legal process . . ." *Id.* § 12.7 The Joint Bid APA refers to a letter agreement dated October 27, 2017 between Total and Cobalt "relating to certain matters concerning the North Platte Prospect . . ." as the "Settlement Letter," but does not actually describe its contents or purpose, or what claims or rights this provision of the Joint Bid APA purports to waive. *Id.* [REDACTED]

[REDACTED]

31. A Joint Bidding Agreement between Statoil and Total governs their arrangement regarding the Joint Bid. (See Statoil's Response ¶ 8.); [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Upon information and belief, as of the date of this Objection the terms of the Joint Bidding Agreement have not been disclosed to the Debtors.

The Plan

32. The Plan provides for the distribution of the proceeds of the Sale Transaction, the wind down of the Debtors' businesses and affairs, and a liquidation of the Debtors' remaining assets. Plan §§ III, IV, VI, VII. Based on the values derived at the Auction, holders Unsecured Notes Claims are not expected to receive any distribution. Disclosure Statement § III.D.

ARGUMENT

33. Section 1129 of the Bankruptcy Code provides that a plan may be confirmed only if the proponent of the plan establishes that the plan (a) satisfies each of the requirements set forth in section 1129(a), other than subsection (a)(8), and (b) does not discriminate unfairly, and is fair and equitable, with respect to each impaired class of claims or interests that has not accepted it. 11 U.S.C. § 1129(b); *see Bank of Am. Nat'l Trust & Sav. Ass'n v. 203 N. LaSalle St. P'ship*, 526 U.S. 434, 441 (1999), remanded to 182 F.3d 922 (7th Cir. 1999).

34. The proponent of a plan bears the burden of establishing that the requirements set forth in section 1129 are satisfied with respect to that plan. *See, e.g., In re Arnold*, No. 07-80636-G3-11, 2009 WL 1066140, at *7 (Bankr. S.D. Tex. March 5, 2009).

35. Here, the Debtors have failed to meet their burden to show that section 1129(a)(3) is satisfied with respect to the Plan. Section 1129(a)(3) requires, among other things, that the Plan maximize the value of the Debtors' estates. Despite the Debtors' adoption of the Bidding Procedures, which were intended to foster active bidding, the Auction was not competitive. As a

consequence, the results of the Auction cannot be assumed to represent fair value for the Debtors' assets. Further, the Debtors have not separately offered any other form of evidence with respect to the value of their assets. Accordingly, there is not sufficient evidence for the Court to find that the Plan maximizes value. The Plan cannot be confirmed for this reason alone.

36. The problems with the Plan, however, go beyond a mere lack of evidence. There are substantial indications that the Plan in fact recognizes an absurdly low value for the Debtors' assets. That it does so appears to be the result of both the particular circumstances of these chapter 11 cases and also interactions and agreements among certain bidders—including Statoil and Total—that chilled bidding. For this reason too, the Plan cannot be confirmed and the protection requested for the proposed purchasers under section 363(m) is not warranted.

I. The Plan Fails to Satisfy Section 1129(a)(3) of the Bankruptcy Code

37. Section 1129(a)(3) of the Bankruptcy Code requires the proponent of a plan to establish, as a condition to confirmation, that the plan has been proposed in good faith and not by any means forbidden by law. 11 U.S.C. § 1129(a)(3). The term “good faith” is not defined in the Bankruptcy Code. In the context of proposing a plan “the term is generally interpreted to mean that there exists a reasonable likelihood that the plan will achieve a result consistent with the objectives and purposes of the Bankruptcy Code.”⁷ *In re Madison Hotel Assocs.*, 749 F.2d 410, 424-25 (7th Cir. 1984) (internal citation omitted). Whether “good faith” exists “should be evaluated in light of the totality of the circumstances surrounding establishment of the plan,

⁷ Section 1129(a)(3)'s “good faith” requirement has been found to be satisfied “where a plan is proposed with the legitimate and honest purpose to reorganize and has a reasonable hope of success” *See, e.g., In re Village at Camp Bowie I, L.P.*, 710 F.3d 239, 247 (5th Cir. 2013). Here, the Debtors have proposed a plan of liquidation, rather than reorganization, rendering this formulation of the standard irrelevant. *See Canadian Pacific Forest Products Ltd. v. J.D. Irving, Ltd. (In re The Gibson Group, Inc.)*, 66 F.3d 1436, 1442 (6th Cir.1995) (maximization of value is primary purpose where debtor is liquidating rather than reorganizing).

mindful of the purposes underlying the Bankruptcy Code.” *In re Village at Camp Bowie*, 710 F.3d at 247 (internal quotations omitted); *see also Madison Hotel*, 749 F.2d at 425.

38. The primary objective of the Bankruptcy Code is to maximize the value of a debtor’s estate and distribute that value to holders of claims and interests. *See Bank of Am. Nat’l Trust & Sav. Ass’n v. 203 N. LaSalle St. P’ship*, 526 U.S. 434, 453 (1999) (citing *Toibb v. Radloff*, 501 U.S. 157, 163 (1991) (observing recognized policy of the Bankruptcy Code to be “maximizing the value of the bankruptcy estate”)); *see also Commodity Futures Trading Comm’n v. Weintraub*, 471 U.S. 343, 352 (1985). Accordingly, for a plan proponent to demonstrate that section 1129(a)(3) is satisfied with respect to a plan, it must, among other things, demonstrate that the plan maximizes the value of the debtor’s estate for distribution to holders of claims and interests. *See, e.g., Tenn-Fla Partners v. First Union Nat’l Bank of Fla.*, 229 B.R. 720 (W.D. Tenn. 1999), *aff’d*, 226 F.3d 746 (6th Cir. 2000) (denying confirmation of a plan on the basis that debtor had failed to maximize value of the estate for the benefit of creditors by not obtaining the highest available price for property to be sold upon its confirmation).

A. The Results of the Auction Cannot Be Assumed to Represent Fair Value

39. In the context of an asset sale, value is typically considered maximized where property is exposed to market forces. *See, e.g., VFB LLC v. Campbell Soup Co.*, 482 F.3d 624, 633 (3rd. Cir. 2007) (“Absent some reason to distrust it, the market price is a more reliable measure of the [asset’s] value than the subjective estimates of one or two expert witnesses.”). For this reason, a debtor will typically use the fact that it has engaged in a marketing process and that an auction has occurred to demonstrate that a proposed sale maximizes value.⁸

⁸ As one commentator has explained:

The process of conducting an auction generally establishes that a successful bidder has paid the fair market value for the asset. Therefore, considering the tremendous emphasis that bankruptcy courts place on maximizing the value of

40. Even in such circumstances, however, the results an auction cannot be blindly accepted without consideration as to whether the auction actually exposed the property being sold to market forces. Where there is only one bidder or where competition is otherwise “constrained,” the price obtained at auction is less likely to be reliable and should be the subject of greater scrutiny. *In re Lahijani*, 325 B.R. 282, 289 (9th Cir. B.A.P 2005) (“The price achieved by an auction is ordinarily assumed to approximate market value when there is competition by an appropriate number of bidders. When competition is constrained, however, the price is less likely to be reliable and should be examined more carefully.”); *In re Schugg*, No. CV-05-4158-PHX-JAT, 2006 WL 1455568, at *11 (D. Ariz. May 22, 2006) (“[W]henver there is only one bidder on a property, competition is constrained. In such cases, the price offered is less likely to be reliable and should be examined more carefully because constrained competition requires higher scrutiny.”); *In re Nicole Energy Servs.*, 385 B.R. 201, 234 (Bankr. S.D. Ohio 2008) (“In asset sales where, as here, there is only one bidder . . . the price offered is less likely to be reliable and should be examined more carefully . . .”).

41. Here, that the Auction did not result in competitive bidding sufficient to expose the Debtors’ assets to market forces. Although the bids submitted by the Second Lien Ad Hoc Group at the Auction did result in a marginal increase in price for the assets noted above, those bids did not present meaningful competition. At the amounts of the Successful Bids, the Second Lien Ad Hoc Group is expected to receive a cash recovery close to 100 percent of the face

the estate, auction sales are advisable because judges do not tend to scrutinize closely such transactions before approving the final sale.

Rachael M. Jackson, *Survey: Responding to Threats of Bankruptcy Abuse in a Post-Enron World: Trusting the Bankruptcy Judge as the Guardian of Debtor Estates*, 2005 Colum. Bus. L. Rev. 451, 469–70 (2005).

amount of their Second Lien Notes.⁹ Accordingly, there was little incentive for the Second Lien Ad Hoc Group to continue bidding and risk that, instead of simply receiving cash, it would be in the awkward position of having agreed to purchase the Debtors' assets.¹⁰ And there was absolutely no incentive for the Second Lien Ad Hoc Group to bid in excess of the Second Lien Debt. [REDACTED]

[REDACTED]

42. The Auction also appears to have fallen victim to the "winner's curse."¹² Specifically, to be the Successful Bidder at the Auction, one would necessarily need to outbid Total. However, given its detailed knowledge of the North Platte assets as the holder of a 40% working interest in the North Platte field, Total had an informational advantage over other potential bidders. As such, Total was presumably in the best position to know the true value of the North Platte assets. Any party actually outbidding Total was at substantial risk of unwittingly overpaying for these assets. The reputational risk alone is enough to prevent parties from participating in an open auction. As certain commentators have noted, where there is

⁹ The Disclosure Statement estimates that, assuming certain Intercompany Claims are allowed under the Plan, holders of Second Lien Notes Claims will receive a cash recovery of at least approximately \$890 million—approximately 95% of the approximately \$934.7 million face amount of the Second Lien Notes.

¹⁰ The existence of a secured creditor who could have in theory "bid up" the price of assets at an auction is not a defense to collusion. *Boyer v. Gilder*, 475 B.R. 645 (Bankr. N.D. Ind. 2012).

¹¹ [REDACTED]

¹² The "winner's curse" is a tendency for the winning bid at a common value auction to exceed the intrinsic value or true worth of an item. In such circumstance, since the auctioned item is worth roughly the same to all bidders, they are distinguished only by their respective estimates of the market value. The winner, then, is the bidder making the highest estimate. If one assumes that the average bid is accurate, then the highest bidder overestimates the item's value. Thus, the auction's winner would likely have overpaid.

informational asymmetry, other bidders may anticipate this predicament and make no bid, thereby aggravating the problem of the winner's curse and pushing down the price that the more informed bidder ultimately pays at auction. See Paul Klemperer, *The Wallet Game and Its Applications*, 42 Eur. Econ. Rev. 757 (1998) (noting that a very small information advantage can greatly increase a bidder's chance of winning and "greatly reduce the price he pays"); Paul Klemperer, *What Really Matters in Auction Design*, 16 J. Econ. Persp. 169, 173 (describing how asymmetric information can depress auction bids as bidders attempt to avoid the "winner's curse").

43. Most concerning though, the two potential bidders that expressed the most interest in the North Platte assets—Statoil and Total—had agreed to submit a joint bid for those assets, necessarily reducing the potential for competitive bidding. The Ad Hoc Committee anticipates that Statoil and Total will assert that neither were willing to bid alone as one justification for a joint bid, but this is simply not credible. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

44. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Total's Announcement of Discovery of Ballymore, dated January 31, 2018, attached hereto as Exhibit J ("We are looking to diversify our portfolio of partners, to work with the most skilled operators and to operate ourselves."); LesEchos: Total is rewarded in the United States (dated January 31, 2018), <http://www.LesEchos.FR/journalistes/index.php?ID=28>, attached hereto as Exhibit K. The Debtors were aware of Total's interest in becoming operator of North Platte, and was discussing the concept with other potential bidders. *See generally* HL Bid Tracker.

B. There Is Substantial Evidence That The Fair Value Of The Debtors' Assets Is Significantly More Than What Will Be Realized Through The Plan

45. The results of the Auction stand in stark contrast to a number of available indicators of value. First, the Debtors ascribe a greater value to their Gulf of Mexico assets:

- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

- In addition, the Sales Incentive Plan established during these chapter 11 cases includes a minimum threshold that would entitle participants to receive cash payments upon a sale of substantially all of the Debtors' assets resulting in more than \$1.5 billion of distributable value. *See* SIP Order, Ex. 2.

46. Second, Total itself also ascribes a higher value for the Debtors' assets:

[REDACTED]

- Materials prepared by Total and interviews given by its executives indicate that its acquisition of billions of barrels of deepwater reserves at "low" prices ranging from \$2.50 / BoE to \$3.00 / BoE, or roughly three times the price of its Successful Bid for North Platte, was a good deal. *See* Total's Results and Outlook dated February 2018, attached hereto as Exhibit N, p. 21; February 6, 2018 Interview with Total CEO, attached hereto as Exhibit O, p. 1 ("For two years, *Total has benefited from low prices to boost its reserves of 5 billion barrels paid 2.5 dollars [2 euros] a barrel*, with the acquisition of Danish Maersk Oil, the ADCO concession in Abu Dhabi or the alliance with Petrobras in Brazil.") (emphasis added).

47. Third, valuations established by oil and gas industry analysts over the last three years suggest that the Auction results substantially undervalue certain of the Debtors' assets. Since November 2015, research analysts have published valuation reports for each of the North Platte, Shenandoah, Anchor and Heidelberg assets. The proposed purchase price for each of the Debtors' working interests in such assets ascribes a value lower than the lowest point in the valuation range for each of these assets. The following chart includes the valuation range per BoE from these analyst reports compared with the implied \$ / BoE to be realized from the sale of the Debtors' respective working interests if the results of the Auction are approved:

Asset	Analyst Range (Implied \$ / BoE)	Auction Results (Implied \$ / BoE)	Auction Result as a Percentage of Low Point of Valuation Range	Auction Result as a Percentage of Midpoint of Valuation Range
North Platte	3.25 – 6.00	0.87	26.8%	18.8%
Shenandoah	0.00 – 5.00	0.02	NA	0.8%
Anchor	3.00 – 4.50	1.51	50.3%	33.6%
Heidelberg	8.00 – 13.50	NA	NA	NA

48. Finally, recent comparable transactions suggest that the proposed sale transactions significantly undervalue the Debtors' assets. [REDACTED] Although there have been only a handful of transactions involving similar assets over the last two years, the implied \$ / BoE achieved in each transaction is greater than the weighted average \$ / BoE to be realized as a result of the Auction:

Asset	Ownership Interest Purchased	Buyer	Location	Date	\$/BoE
Carcara Deepwater Assets ¹³	66%	Statoil ASA	Brazil	6/29/2016	█
Mexico Trion Field Deepwater Assets ¹⁴	60%	BHP Billiton	Gulf of Mexico (Mexico)	12/5/2016	█
Cairn Energy Senegal Assets ¹⁵	30%	BP	Senegal	Rumored	█
ConocoPhillips Senegal Assets ¹⁶	35%	Woodside	Senegal	10/29/2016	\$2.20
Angola Blocks 20 and 21 ¹⁷	40%	Sonangol	Angola	12/19/2017	\$1.56

49. The implied \$ / BoE values over the last two years range from \$1.56 to █, compared with the implied \$ / BoE value here of █¹⁸. And many of these transactions were consummated during the market trough in mid-2016, when crude oil prices were 20-30% lower

¹³ Source: <https://www.statoil.com/en/news/brazilian-offshore-licence-carcara.html>

¹⁴ Source: <https://www.bhp.com/media-and-insights/news-releases/2017/03/bhp-billiton-and-pemex-sign-agreement-for-deep-water-oil-discovery-in-mexico>

¹⁵ Source: <https://www.reuters.com/article/us-senegal-bp-cairn-energy/bp-seeks-stake-in-cairn-energy-senegal-assets-sources-idUSKBN1DK2E7>

¹⁶ Source: <https://www.reuters.com/article/us-woodside-senegal-oil/woodside-takes-350-million-stake-in-senegal-offshore-oil-deal-idUSKCN12T03D>

¹⁷ Sources:

a. *Order Approving Debtors' Motion For Entry of an Order (I) Authorizing Performance Under Settlement Agreement, (II) Approving Settlement Agreement, and (III) Granting Related Relief* [Docket No. 300];

b. <http://www.sonangol.co.ao/English/AreasOfActivity/DataPackages/Pages/block21.aspx>; and

c. <http://www.sonangol.co.ao/English/AreasOfActivity/DataPackages/Pages/block20.aspx>

¹⁸ The lowest value in the range was the Debtors' sale of their Angolan assets to Sonangol, which also represents the most recent transaction in the chart.

than they have been since the Petition Date, with corresponding asset prices were even more depressed than they are today. *See* Crude Oil Brent & WTI 3-Year Price Trends, attached hereto as Exhibit P. Relatedly, an analysis of comparable transactions indicates that an affiliate of Statoil, one of the joint Successful Bidders for the Debtors' 60% working interest in North Platte, recently paid ██████████ to purchase the controlling interest in a Brazilian deepwater asset. *Id.*

II. The Plan Fails to Satisfy Section 1129(b) of the Bankruptcy Code

50. Section 1129(b) of the Bankruptcy Code requires that in order to be confirmed, a plan of reorganization must, among other requirements, be fair and equitable with respect to each class of claims that is impaired under the plan. 11 U.S.C. § 1129(b)(1). Here, holders of Cobalt General Unsecured Claims (Class 6) are being crammed down under the Plan, and are thus impaired within the meaning of section 1129(b). For the same reasons set forth above with respect to section 1129(a)(3) of the Bankruptcy Code, the Plan must fail under section 1129(b) because it is not fair and equitable to holders of Cobalt General Unsecured Claims.

III. Relief Under Section 363 of the Bankruptcy Code Is Not Warranted

51. The Debtors have not, as of the date of this Objection filed a proposed form of the Confirmation Order. The Ad Hoc Committee believes, however, that the proposed Confirmation Order may include findings of fact and conclusions of law stating that the proposed purchasers are entitled to the protections afforded to “good faith” purchasers under section 363(m) of the Bankruptcy Code. These findings of fact and conclusions of law are not warranted here as the “good faith” of the potential purchasers has not been established.¹⁹

¹⁹ Section 363(b) of the Bankruptcy Code provides, in part, that a debtor in possession “after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b). “When a debtor desires to sell an asset, its main responsibility, and the primary concern of the bankruptcy court, is the maximization of the value of the asset sold.” *In re Integrated Resources*, 135 B.R. 746 (Bankr. S.D.N.Y. 1992), *aff'd* 147 B.R. 650 (S.D.N.Y.) (internal citation omitted). For the

52. Section 363(m) of the Bankruptcy Code provides that “[t]he reversal or modification on appeal of an authorization under [section 363(b) or (c)] . . . does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith . . . unless such authorization and such sale or lease were stayed pending appeal.” 11 U.S.C. § 363(m). In other words, it protects a “good faith” purchaser of property sold under section 363(b) or (c) from a reversal on appeal of the sale authorization.

53. Where a party seeks protection under section 363(m), it is the proponent of “good faith” that bears the burden of proving it exists. *In re TMT Procurement Corp.*, 764 F.3d 512, 520 (5th Cir. 2014); *In re O’Dwyer*, 611 Fed. Appx. 195, 200 (5th Cir. 2015).²⁰

54. The “[g]ood faith of a purchaser is shown by the integrity of his conduct during the course of the sale proceedings; where there is a lack of such integrity, a good faith finding may not be made.” *In re General Motors Corp.*, 407 B.R. 463, 494 (Bankr. S.D.N.Y. 2009). The kinds of misconduct that would destroy an asset purchaser’s good faith status “involve[] fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.” *In re TMT Procurement Corp.* at 521 (citing *In re Bleaufontaine, Inc.*, 634 F.2d 1383, 1388 n. 7 (5th Cir. 1981)); *see also In re Gucci*, 126 F.3d

reasons set forth above, the Plan and the Sale Transaction proposed therein, fail to maximize the value of the Debtors’ estates. Accordingly, approval under section 363 of the Bankruptcy Code is not warranted as a general matter.

²⁰ In *TMT*, the Court of Appeals for the Fifth Circuit cited *In re M Capital Corp.*, 290 B.R. 743 (B.A.P. 9th Cir. 2003) for this proposition. In *M Capital*, the court explained as follows:

We publish this order to underscore the need for parties who desire the protection of section 363(m) to establish an evidentiary record for the bankruptcy court to make the necessary findings of fact and conclusions of law. Correlatively, the opponent of good faith does not have the burden to demonstrate the absence of good faith. Without the requisite determination, we do not assume section 363(m) good faith and must deal with the merits of these appeals without such limitation.

290 B.R. at 745.

380, 390 (2d Cir. 1997) (stating that a critical aspect of “good faith” is an inquiry into whether there was “collusion between the purchaser and other bidders or the trustee”).

55. Given the difficulties inherent distinguishing between collaboration and collusion, courts often turn to a fact-intensive examination that focuses on matters including the parties’ motivation to join together to bid. *See In re Edwards*, 228 B.R. 552, 565 (Bankr. E.D. Pa. 1998) (agreement between joint bidders not intended to control price). Factors likely to be considered in determining whether collusion exists include whether (i) the members of the bidding group have the financial ability to bid individually for the entire business, (ii) the members of the bidding group only have a strategic interest in select assets regardless of their financial capability, (iii) the bidding group’s bid is higher than what any individual bid by the members would have been, (iv) there are other competitors bidding (that is, whether the bidding group consists of all parties interested in the assets), and (v) the bidding group timely communicated its desire to bid together and its rationale for forming itself to the relevant interested parties. *See Ilene Knable Gotts & Franco Castelli, Special Antitrust Issues Raised by Private Equity Minority Investments, The Threshold, Vol. III, No. 3 (Summer 2008), at 15-22.*

56. As of the date of this objection, there has been no evidence presented to the Court to support a finding that the proposed purchasers will be purchasing the Debtors’ assets in “good faith.” As discussed above, there was an agreement between two potential bidders—Statoil and Total—to submit a joint bid for the Debtors’ “crown jewel”—their North Platte assets. Statoil and Total were the two bidders most interested in purchasing the North Platte assets. Moreover, Total had just months prior to the Petition Date submitted a bid for substantially all of the Debtors assets at a price higher than that reflected in Statoil and Total’s joint bid.

57. The details of the agreement between Statoil and Total, [REDACTED], were not disclosed to the Debtors or other parties in interest in connection with the marketing process and Auction. [REDACTED]

58. Section 363(m) protection is not warranted here absent the proposed purchasers establishing by a preponderance of the evidence that they are “good faith” purchasers.

IV. Reservation of Rights Relating to Certain Other Issues

59. The Plan contains certain other provisions that the Ad Hoc Committee finds objectionable, including how it addresses the make-whole claims of holders of First Lien Notes. If the Court confirms the Plan, the Unsecured Notes are out-of-the-money and these other provisions are not relevant to the Unsecured Notes. If, however, the Court denies confirmation as the Ad Hoc Committee urges it to do, then the Ad Hoc Committee does not wish its silence on these issues now to be interpreted as consent to any other provision of the Plan.

V. The Court Should Not Waive the Rule 3020 and 6004 Stays

60. Bankruptcy Rule 3020(e) mandates that “[a]n order confirming a plan is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise.” FED. R. BANKR. P. 3020(e). Bankruptcy Rule 6004(h) requires that “an order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” FED. R. BANKR. P. 6004(h). The

14-day periods in Bankruptcy Rules 3020(e) and 6004(h) correspond to the 14-day period given appellants to file a notice of appeal. See FED. R. BANKR. P. 8002(a)(1). This is not a coincidence—the Advisory Committee Note to Rule 3020(e) explains that the rule is intended “to provide sufficient time for a party to request a stay pending appeal of an order confirming a plan under chapter 9 or chapter 11 of the Code before the plan is implemented and an appeal becomes moot.” FED. R. BANKR. P. 3020(e), Advisory Committee Note, 1999 Amendment.

61. The Debtors offer no valid or sufficient need to potentially interfere with objecting parties’ right to appeal the Confirmation Order if objecting parties so choose. In fact, each of the Asset Purchase Agreements for the sale transactions provides for an outside date that is more than 14 days after the Confirmation Hearing except for Shenandoah. (*See* Joint Bid APA § 11.1(a)(vi); Anchor APA [Docket No. 594-1] § 11.1(a)(vi); Explo APA [Docket No. 594-4] § 11.1(a)(vi).)

RESERVATION OF RIGHTS

62. The Ad Hoc Committee is still taking discovery and reserves all of its rights with respect to confirmation of the Plan and approval of the proposed sale transactions, including to supplement this Objection and assert additional objections either prior to, or in connection with, any hearing on such confirmation or approval.

CONCLUSION

WHEREFORE, the Ad Hoc Committee requests that the Court deny confirmation of the Plan and grant the Ad Hoc Committee such other and further relief as is just and proper.

Dated: March 29, 2018
Houston, Texas

COLE SCHOTZ P.C.

By: /s/ Michael D. Warner
Michael D. Warner (TX Bar No. 00792304)

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*Counsel to the Ad Hoc Committee of Unsecured
Noteholders, other than with respect to any
potential claims against Total*

EXHIBIT A

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EXHIBIT E

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EXHIBIT G

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EXHIBIT J

Total's Announcement of Discovery of Ballymore

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Home > Discovery of Ballymore in the Gulf of Mexico - 3 questions to Bruno Courme

DISCOVERY OF BALLYMORE IN THE GULF OF MEXICO - 3 QUESTIONS TO BRUNO COURME

 01/31/2018

On January 31, Total announced a discovery in the Ballymore prospect, located deep offshore in the Gulf of Mexico. Bruno Courme, Vice President

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 Dismiss



the Ballymore discovery?

Bruno Courme – The Chevron-operated Ballymore well, in which we have a 40% interest, has been drilled to a final depth of 8,898 meters. We encountered a little over 205 meters of

net oil pay in a very high quality reservoir. This discovery will give us access to the Norphlet play in the Eastern Gulf of Mexico (GoM), which until now was known primarily for the Appomatox discovery. We are currently drilling a sidetrack well to further assess the stakes of this discovery, which may be higher than anything we've seen so far in the GoM. This year, we're also planning an exploration well at another Norphlet prospect located near Ballymore.

► [Read the Press Release](#)

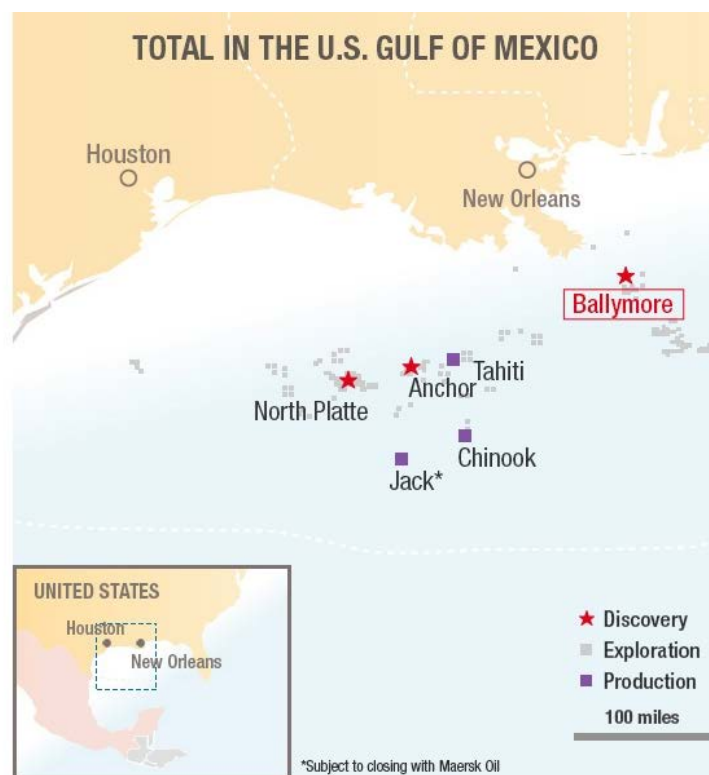
More broadly speaking, what are our positions in the U.S. Gulf of Mexico?

B.C. – We've currently got interests in two producing fields: 17% in Tahiti, operated by Chevron, and 33.33% in Chinook, operated by Petrobras. As part of the Maersk Oil acquisition, we will soon have a 25% stake in the Chevron-operated Jack field, which is also in production. We are also present in two major discoveries of the last few years, with a 40% interest in North Platte, operated

by Cobalt, and our very recent 12.5% interest in Anchor, operated by Chevron. On the exploration side, we hold participations in more than 160 exploration leases. We are looking to diversify our portfolio of partners, to work with the most skilled operators and to operate ourselves. This should happen in 2019 – it's something we're working on with the TEP USA teams.

What is the potential in the Americas region outside the Gulf of Mexico?

B.C. – We've defined priority exploration areas in the Americas where we are aiming to focusing our activities. It's a large playing field, and the challenge will be to allocate our resources efficiently and not disperse them. The Hub-based organization in Houston is helping us do this. With Ballymore, we've shown that Total can count on Exploration.



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EXHIBIT K

LosEchos Article – Total is rewarded in the United States

Total is rewarded in the United States

[VERONIQUE LE BILLON \(HTTPS://WWW.LESECHOS.FR/JOURNALISTES/INDEX.PHP?ID=28\)](https://www.lesechos.fr/journalistes/index.php?id=28) | The 31/01 at 19:20



In the Gulf of Mexico, Total currently has a 17% stake in Tahiti, a field operated by Chevron, and 33% in Chinook, operated by Petrobras. - *Shutterstock*

discovery gives substance to the group's ambitions in the Gulf of Mexico. Total, which entered into a partnership with Chevron in September, is still not very present in this "high potential" area.

Less than six months after signing [an agreement with Chevron to explore \(https://www.lesechos.fr/26/09/2017/LesEchos/22537-075-ECH_dans-le-golfe-du-mexique-le-petrolier-se-renforce---pas-a-pas--.htm?texte=golfe%20du%20mexique\)](https://www.lesechos.fr/26/09/2017/LesEchos/22537-075-ECH_dans-le-golfe-du-mexique-le-petrolier-se-renforce---pas-a-pas--.htm?texte=golfe%20du%20mexique) seven areas of the Gulf of Mexico in deep waters, Total announced Wednesday *"a major discovery"* on the well Ballymore, on which he is a partner to 40%. At 120 kilometers from the US coast, both groups are still working to quantify the extent of the deposit - the first results will be known in

he spring - but its commercial viability is already confirmed," said Total in a statement. The well was drilled to a depth of 8,900 meters, and crossed a 205 meter net oil column in a "high quality" reservoir.

The agreement signed in September with Chevron, which covers sixteen blocks (with holdings of 25 to 40%), gives substance to the ambitions displayed by Total for this area "with high potential" (like Brazil and France). West Africa), according to the **CEO** (https://www.lesechos.fr/finance-marches/vernimmen/definition_president-directeur-general.html#xtor=SEC-3168) of Total Patrick Pouyanné, and where the group has so far had little success.

Become an operator

The discovery is "the largest" made by Total in the Gulf of Mexico. Five years ago, the small Texan Cobal and Total (his partner at 40%) announced a discovery at North Platte, evaluated at the time to "a few hundred million barrels of oil." Both groups broke their partnership last year, but remain associated on the project, which is not yet in production.

READ ALSO

Oil: despite the rebound of the barrel, large projects are slow to leave (https://www.lesechos.fr/02/05/2017/LesEchos/22436-087-ECH_petrole---malgre-le-rebond-du-baril--les-grands-projets-tardent-a-repartir.htm?texte=golfe%20du%20mexique)

Total could further diversify its partnerships in the area. "To increase our presence in the Gulf of Mexico, we study all opportunities as a non-operator but also as an operator, which was not the case before," said a spokesman. Total's presence in the Gulf of Mexico is for the moment limited to the holding of interests in several exploration wells or in production: 17% in Tahiti, a field operated by Chevron, and 33% in that of Chinook, operated by Petrobras.

The acquisition of Maersk Oil announced last summer by Total will also bring him 25% of Jack's field operated by Chevron. The French group holds shares in more than 160 exploration licenses, and it owns, in addition to the stake in North Platte, 12.5% of Anchor, a discovery operated by Chevron.

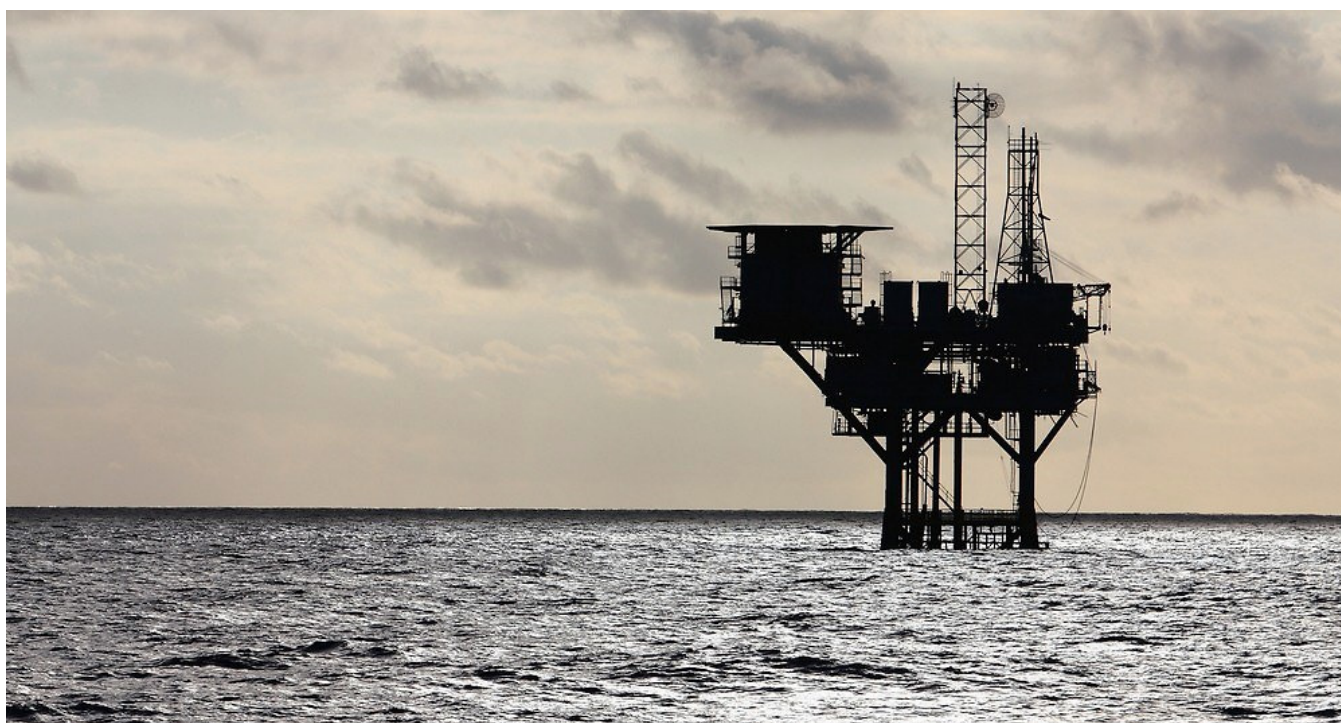
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ÉNERGIE - ENVIRONNEMENT

Total voit ses efforts récompensés aux Etats-Unis

[VERONIQUE LE BILLON \(HTTPS://WWW.LESECHOS.FR/JOURNALISTES/INDEX.PHP?ID=28\)](https://www.lesechos.fr/journalistes/index.php?id=28) | Le 31/01 à 19:20



Dans le Golfe du Mexique, Total n'a pour l'instant qu'une participation de 17 % dans Tahiti, un champ opéré par Chevron, et 33 % dans celui de Chinook, opéré par Petrobras. - Shutterstock

Une découverte donne corps aux ambitions du groupe dans le Golfe du Mexique. Total, qui a noué un partenariat avec Chevron en septembre, est encore peu présent sur cette zone « à haut potentiel ».

Moins de six mois après avoir signé **un accord avec Chevron pour explorer** (https://www.lesechos.fr/26/09/2017/LesEchos/22537-075-ECH_dans-le-golfe-du-mexique--le-petrolier-se-renforce---pas-a-pas--.htm?texte=golfe%20du%20mexique) sept zones du Golfe du Mexique en eaux profondes, Total a annoncé mercredi « *une découverte majeure* » sur le puits de Ballymore, sur lequel il est partenaire à hauteur de 40 %. A 120 kilomètres des côtes américaines, les deux groupes travaillent encore à quantifier l'ampleur du gisement - les premiers résultats seront connus au printemps -, mais sa « *viabilité commerciale est déjà confirmée* », a indiqué Total dans un communiqué. Le puits a été foré jusqu'à 8.900 mètres de profondeur, et a traversé une colonne de pétrole de 205 mètres nets dans un réservoir « *de haute qualité* ».

L'accord signé en septembre avec Chevron, qui porte sur seize blocs (avec des participations de 25 à 40 %), donne corps aux ambitions affichées par Total pour cette zone « *à fort potentiel* » (à l'instar du Brésil et de l'Afrique de l'ouest), selon le **PDG** (https://www.lesechos.fr/finance-marches/vernimmen/definition_president-directeur-general.html#xtor=SEC-3168) de Total Patrick Pouyanné, et où le groupe a jusqu'ici connu peu de réussites.

Devenir opérateur

La découverte est ainsi « *la plus grande* » réalisée par Total dans le Golfe du Mexique. Il y a cinq ans, le petit texan Cobalt et Total (son partenaire à 40 %) avaient annoncé une découverte à North Platte, évaluée à l'époque à « *quelques centaines de millions de barils de pétrole* ». Les deux groupes ont rompu leur partenariat l'an dernier, mais restent associés sur le projet, qui n'est pas encore en production.

À LIRE AUSSI

Pétrole : malgré le rebond du baril, les grands projets tardent à repartir
(https://www.lesechos.fr/02/05/2017/LesEchos/22436-087-ECH_petrole---malgre-le-rebond-du-baril--les-grands-projets-tardent-a-repartir.htm?texte=golfe%20du%20mexique)

Total pourrait encore diversifier ses partenariats dans la zone. « *Pour accroître notre présence dans le Golfe du Mexique, nous étudions toutes les opportunités en tant que non-opérateur mais aussi en tant qu'opérateur, ce qui n'était pas le cas auparavant* », indique un porte-parole. La présence de Total dans le Golfe du Mexique se résume pour l'instant à la détention de participations dans plusieurs puits d'exploration ou en production : 17 % dans Tahiti, un champ opéré par Chevron, et 33 % dans celui de Chinook, opéré par Petrobras.

L'acquisition de Maersk Oil annoncée l'été dernier par Total lui apportera aussi 25 % du champ de Jack opéré par Chevron. Le groupe français détient des parts dans plus de 160 permis d'exploration, et il possède, outre la participation dans North Platte, 12,5 % de Anchor, une découverte opérée par Chevron.

Véronique Le Billon

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EXHIBIT L

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EXHIBIT M

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EXHIBIT N

Total's Results and Outlook, dated February 2018

Results and Outlook

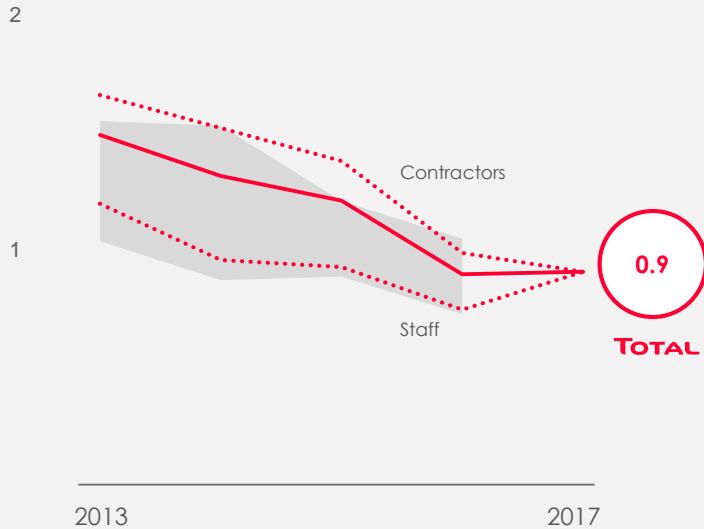
February 2018



Safety, a core value

Cornerstone of operational efficiency

Total Recordable Injury Rate for Total and peers*
Per million man-hours



1 fatality in 2017

* Group TRIR excl. Specialty Chemicals
Peers: BP, Chevron, ExxonMobil, Shell

Continuing to **improve safety performance** across all segments

Strong **focus on major industrial risks**

Strengthening **engagement with our main suppliers on safety**

Responsible energy major

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Leadership on transparency and collective action

Transparency and engagement



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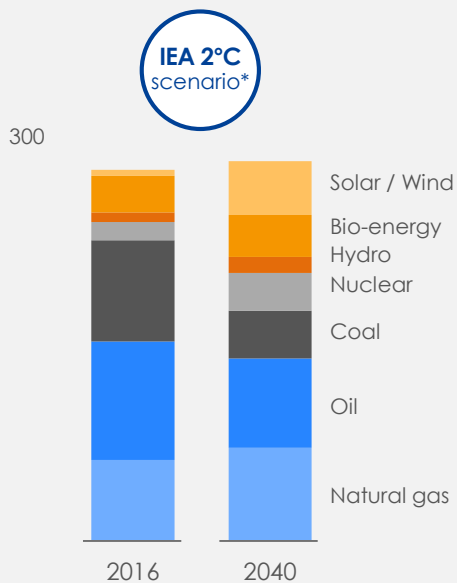


Guiding principles on **reduction of methane emissions** along gas value chain

Integrating climate into strategy

Taking into account anticipated market trends

Global energy demand
Mboe/d



* IEA Sustainable Development Scenario

Focusing on
oil projects
with **low
breakeven**



Expanding
along the
**gas value
chain**



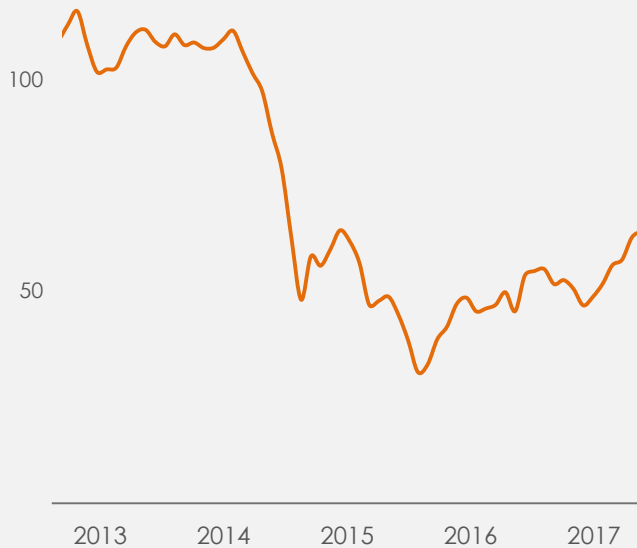
Growing
profitable
**low-carbon
business**



Price recovery driven by robust demand and OPEC-NOPEC policy

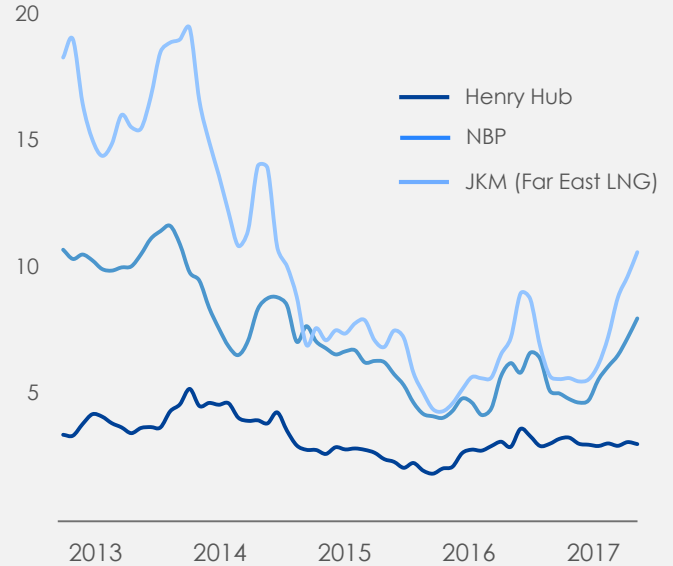
Volatility in energy markets

Brent (\$/b)



Oil demand increased by 1.6 Mb/d in 2017

Gas prices (\$/Mbtu)



LNG demand increased by 10% in 2017

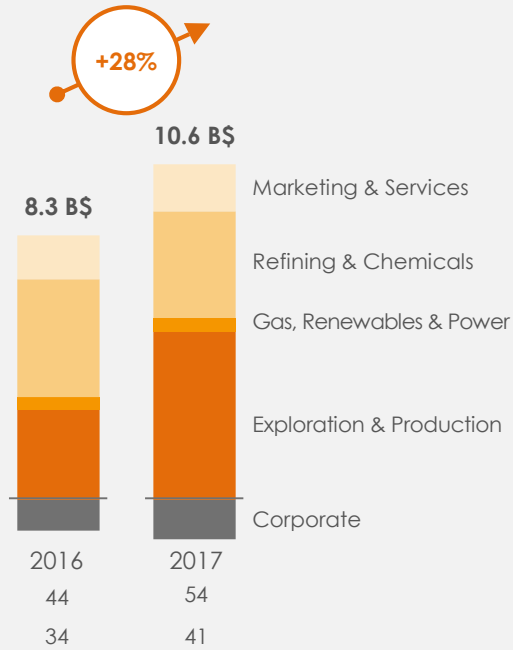


2017 results and 2018 objectives

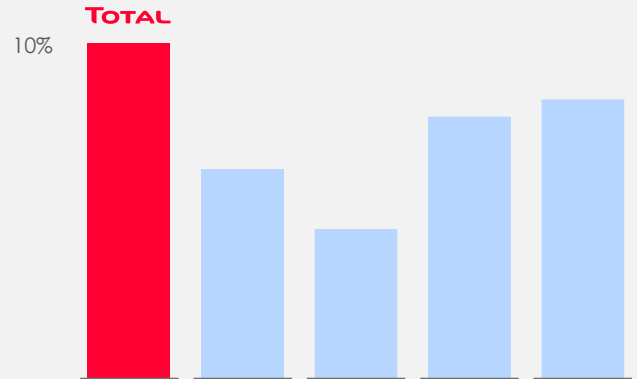
Strong 2017 results

Best-in-class profitability with ROE > 10%

Adjusted net income
B\$



Return on Equity
%

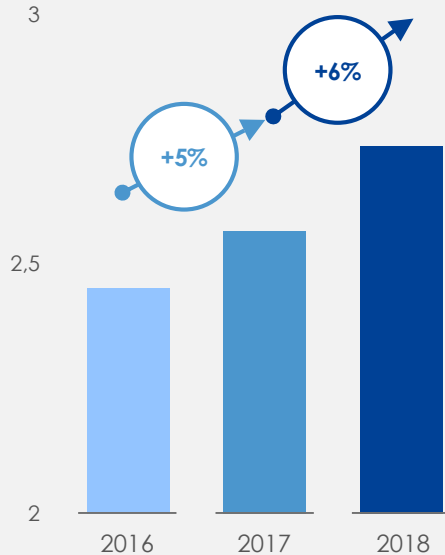


* Peers: BP, Chevron, ExxonMobil, Shell – based on public data

Continuing to deliver strong production growth

In line with 5% CAGR target for 2016-22

Production growth
Mboe/d



14 major start-ups in 2017-18*

Managing **decline rate at ~3%**

95% reserve replacement rate in 2017

- **101%** excluding sales and acquisitions
- 5-year average **> 100%**
- **> 12 years** of proved reserves, **20 years** of proved and probable reserves

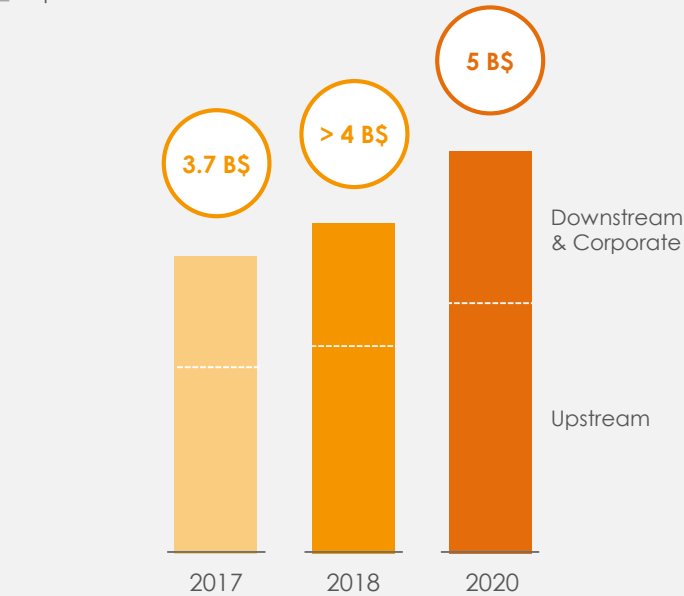
Integrating Maersk Oil end 1Q18

* See list of major start-ups in annex

Competitive advantage on cost

Lowest production costs

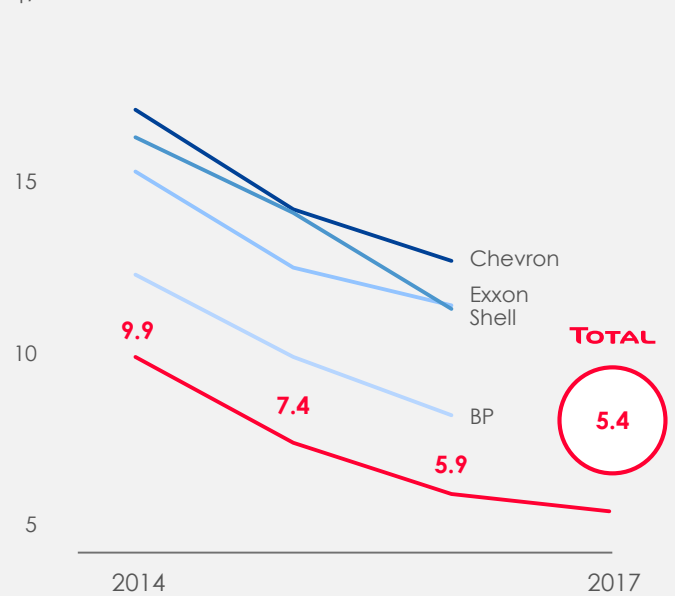
Opex savings
B\$



Feb 17 guidance: 3.5 B\$ 4 B\$

Continued improvement in
efficiency and digitalization

Production costs (ASC 932)
\$/boe



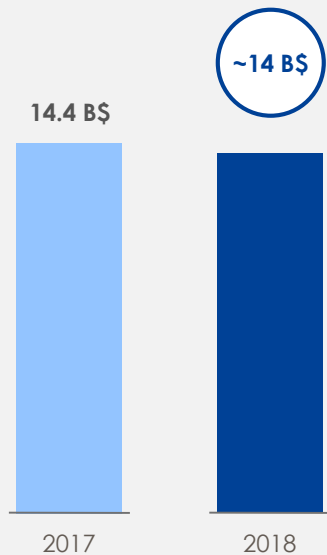
Feb 17 guidance: 5.5 \$/boe

Targeting **5.5 \$/boe in 2018**,
including Maersk Oil

Investing with discipline

Sustainable Capex underpinning legacy and growth projects

Organic Capex
B\$

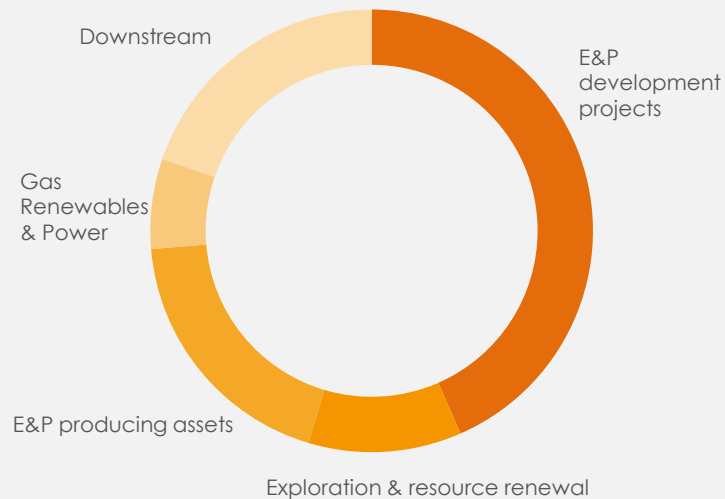


Feb 17 guidance: 14-15 B\$

13-15 B\$

13-15 B\$ Organic Capex in 2018-20

2018 Capital investment*
B\$



Including 2 B\$ net acquisitions

* Organic Capex + net acquisitions

Launching >10 high return projects in 2017-18

Leveraging optimized designs and low cost environment

Main project FIDs
Working interest, 100% capacity

Sanctioned in 2017

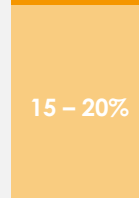
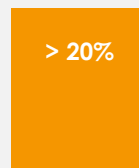
Absheron 1	Azerbaijan	40% op.	35 kboe/d
Vaca Muerta	Argentina	41% op.	100 kboe/d
Halfaya 3	Iraq	22.5%	200 kb/d
Tyra future*	Denmark	31.2% op.	60 kboe/d
Libra – Mero 1	Brazil	20%	150 kb/d

To be sanctioned

Fenix	Argentina	37.5% op.	60 kboe/d
Ikike	Nigeria	40% op.	45 kb/d
Johan Sverdrup 2*	Norway	8.44%	220 kb/d
Kashagan CC01	Kazakhstan	16.8%	80 kb/d
Lake Albert	Uganda	44.1% op.	230 kb/d
Libra - Mero 2	Brazil	20%	150 kb/d
South Pars 11	Iran	50.1% op.	370 kboe/d
Zinia 2	Angola	40% op.	40 kb/d

* Maersk Oil projects

Net capacity & IRR for projects at 60 \$/b
kboe/d net



Average **Capex ~8 \$/boe**

New exploration strategy beginning to deliver results

2018 budget of 1.2 B\$



Successful results in 2017

- **Ballymore** major oil discovery (US GoM)
- Proving commerciality of **Preowei** (Nigeria)
- Confirming **Vaca Muerta** world class oil & gas resources (Argentina)

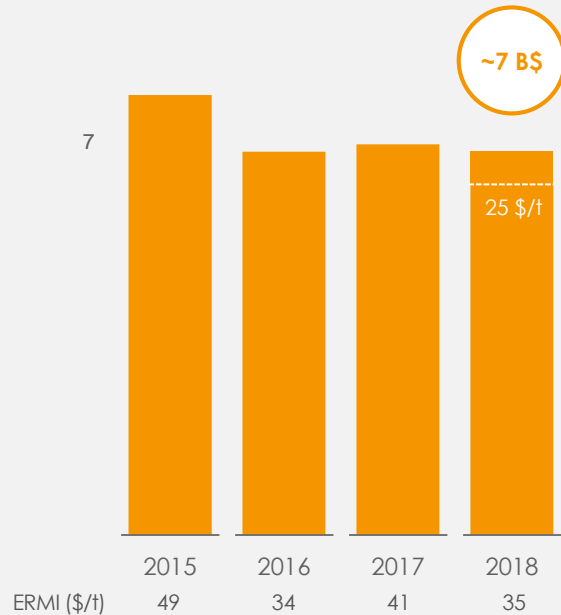
Entering **key hotspots at competitive cost**

- **Senegal and Mauritania** prolific areas
- Proven oil basin in **Guyana**
- **Angola** high potential **Block 48**

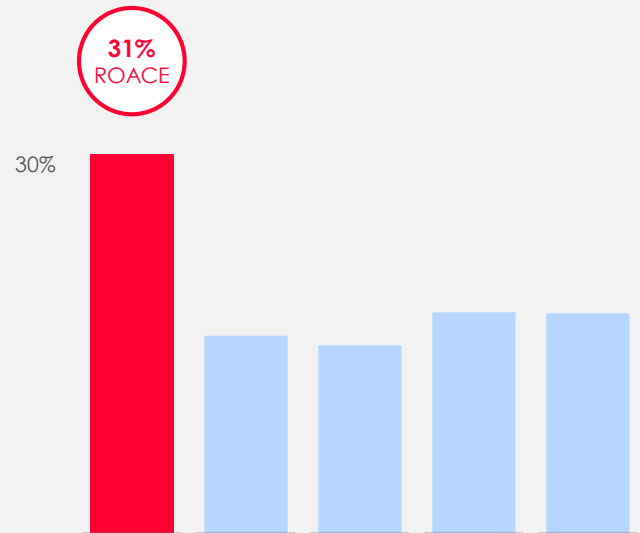
Best-in-class Downstream

Sustainable 7 B\$ cash flow from operations

Downstream CFFO
B\$



Downstream ROACE for Total and peers*
%



* Peers: BP, Chevron, ExxonMobil, Shell – based on public data

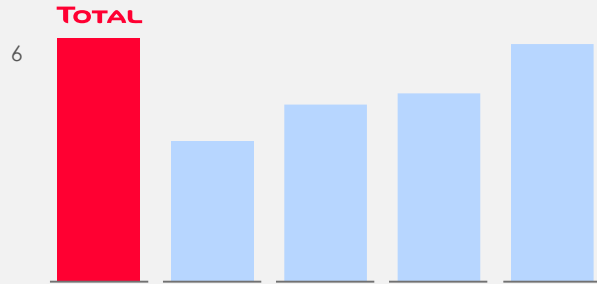
2017 objectives

	Target	Realized	
Organic Capex	14-15 B\$	14.4 B\$	✓
Cost reduction	3.5 B\$	3.7 B\$	✓
Upstream Opex	5.5 \$/boe	5.4 \$/boe	✓
Production growth	> 4%	+5%	✓
Downstream CFO	~ 7 B\$	6.9 B\$	✓
2015-17 disposal program	10 B\$	> 10 B\$	✓
Organic pre-dividend breakeven	< 30 \$/b	27 \$/b	✓

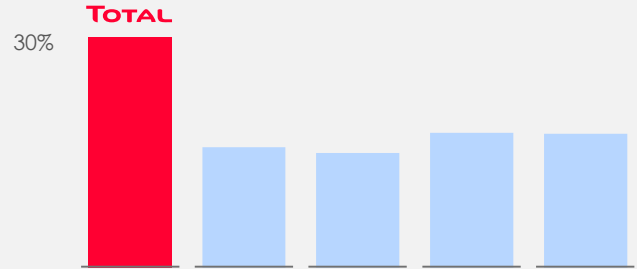


Outperforming peers in 2017

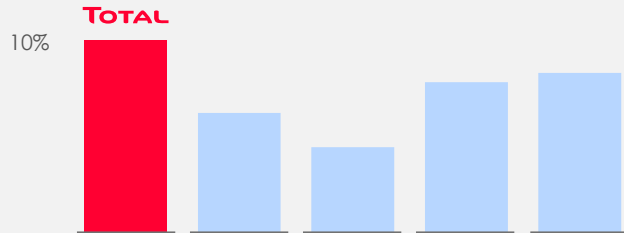
Upstream net income per barrel
\$/b



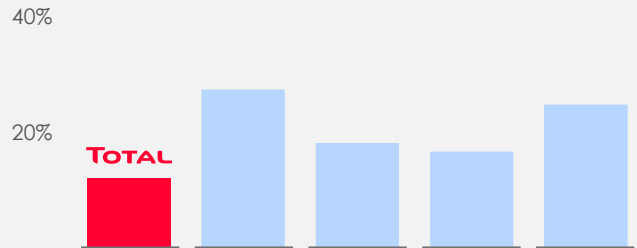
Downstream ROACE
%



Group ROE
%



Net-debt-to-capital
End-2017, %



Peers: BP, Chevron, ExxonMobil, Shell – based on public data

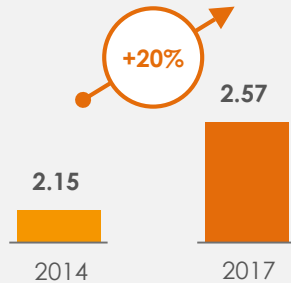


Outlook

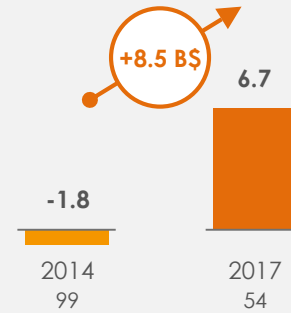
Resetting the company through the cycle

Operational excellence across all segments

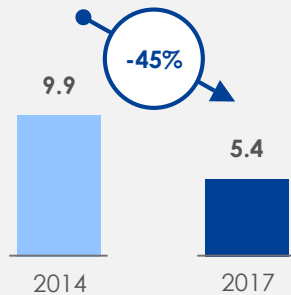
Production
Mboe/d



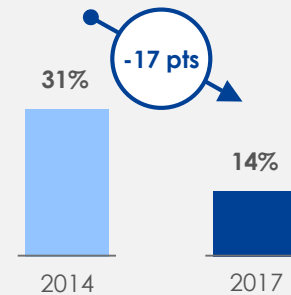
Organic free cash flow
B\$



Production cost (ASC932)
\$/boe



Net-debt-to-equity
%



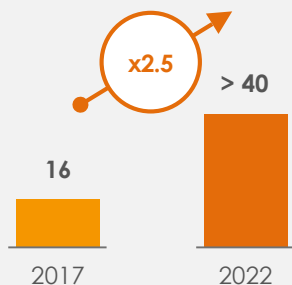
Taking advantage of the cycle to prepare the future

Upgrading portfolio and launching profitable projects

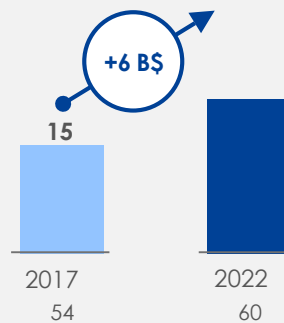
Production
Mboe/d



LNG growth
Mt/y



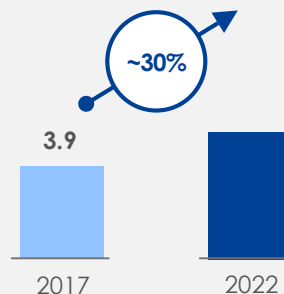
Upstream CFFO
B\$



Brent (\$/b)

2017 54
2022 60

Downstream free cash flow
B\$



Upgrading portfolio

Building on our strengths

Middle East & North Africa

ADCO, Al-Shaheen,
South Pars 11



North Sea

Maersk Oil acquisition



Africa

Moho Nord, Egina, Kaombo
start-ups



Deep offshore

Brazil: Libra, Iara, Lapa



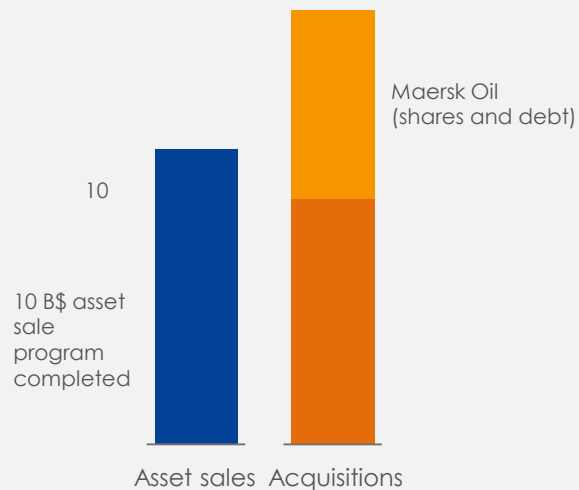
LNG

Engie LNG acquisition,
Yamal and Ichthys start-ups



Acquisitions and divestments 2015-17

B\$



> 5 Bboe of resources added at < 2.5 \$/boe

Expanding legacy position in Middle East – North Africa

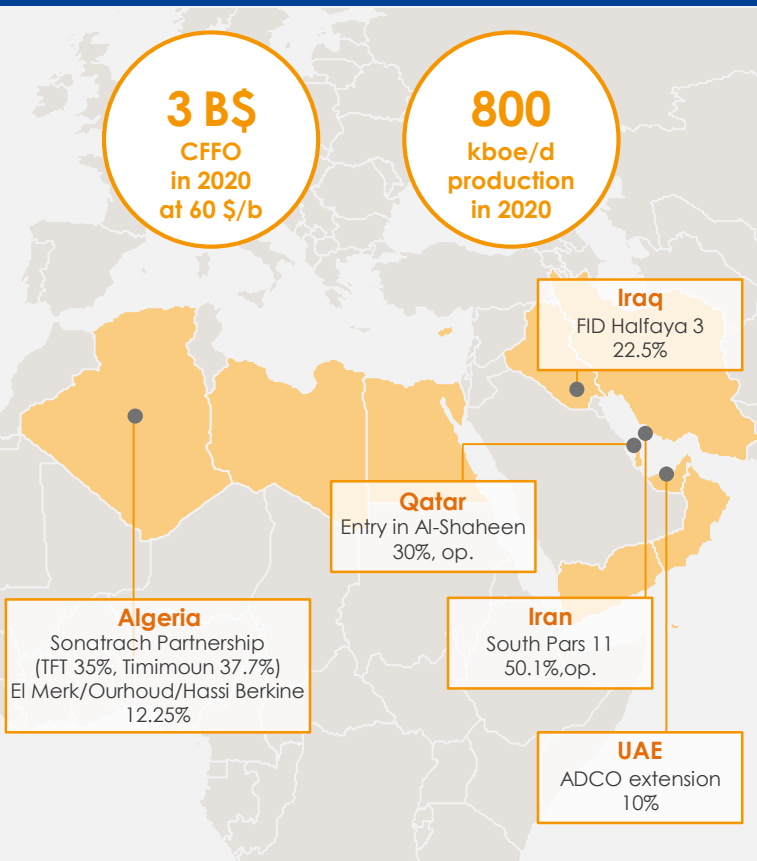
Adding giant long plateau, low cost resources

3 B\$

CFFO
in 2020
at 60 \$/b

800

kboe/d
production
in 2020



Enhancing **core positions**

- ADNOC partnership, Sonatrach partnership
- Launching Halfaya 3

Entering **attractive assets**

- Al-Shaheen, Berkine basin assets, South Pars 11

Improving **profitability**

- **ROACE > 20%**

Rejuvenating North Sea portfolio

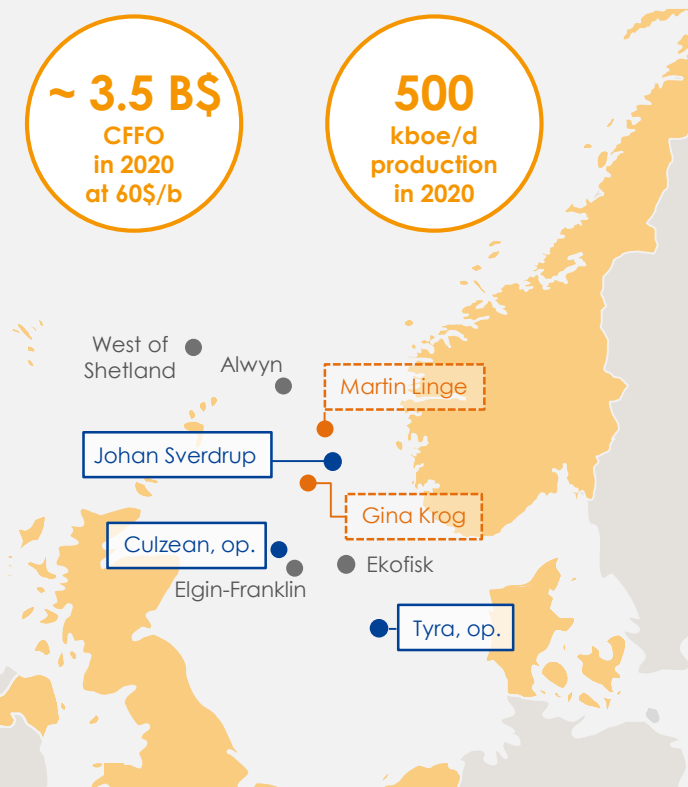
Combining operational skills of Total and Maersk Oil

~ 3.5 B\$

CCFO
in 2020
at 60\$/b

500

kboe/d
production
in 2020



● Main acquisitions ● Main divestments ● Key existing assets

Highgrading the portfolio

- Acquiring large low breakeven assets
- Divesting high cost assets

Maersk Oil integration

- Cash accretive from 2018, CCFO of ~30 \$/b
- > 400 M\$/y synergies

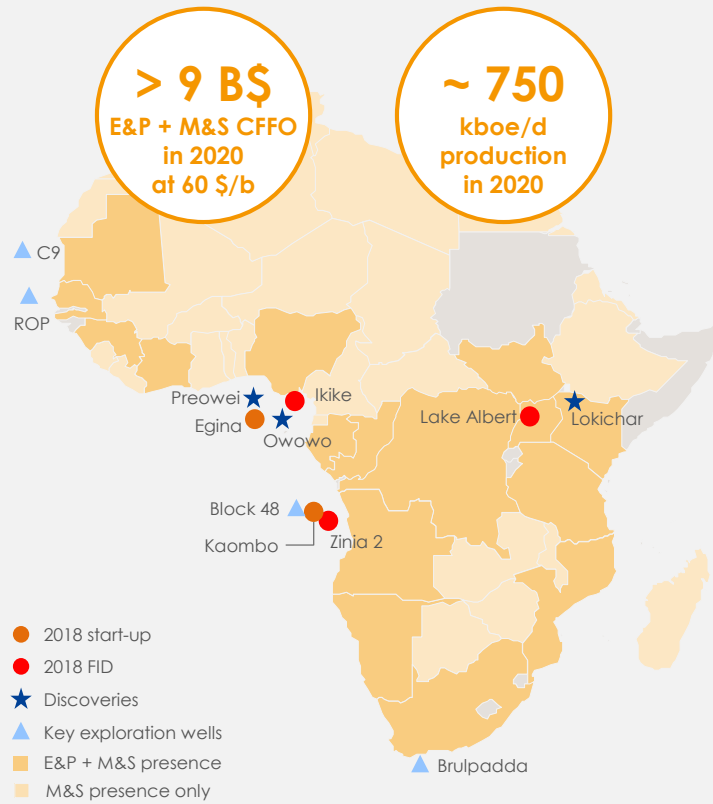
Streamlining operations

- Leveraging scale as 2nd largest operator

On track to **close Maersk Oil deal in 1Q18**

The leader in Africa

Unique presence across the continent



Moho Nord started up in 2017

Egina and **Kaombo** to start up in 2018

Launching **Lake Albert, Zinia 2, Ilike** in 2018

Preparing **future**

- **Development** of **Preowei** and **Owowo**
- Captured **high-quality exploration** acreage
- Access to **Kenya resources**

Largest retail network in > 40 countries, on track to reach **20% market share**

Building new core area at competitive cost in Brazil

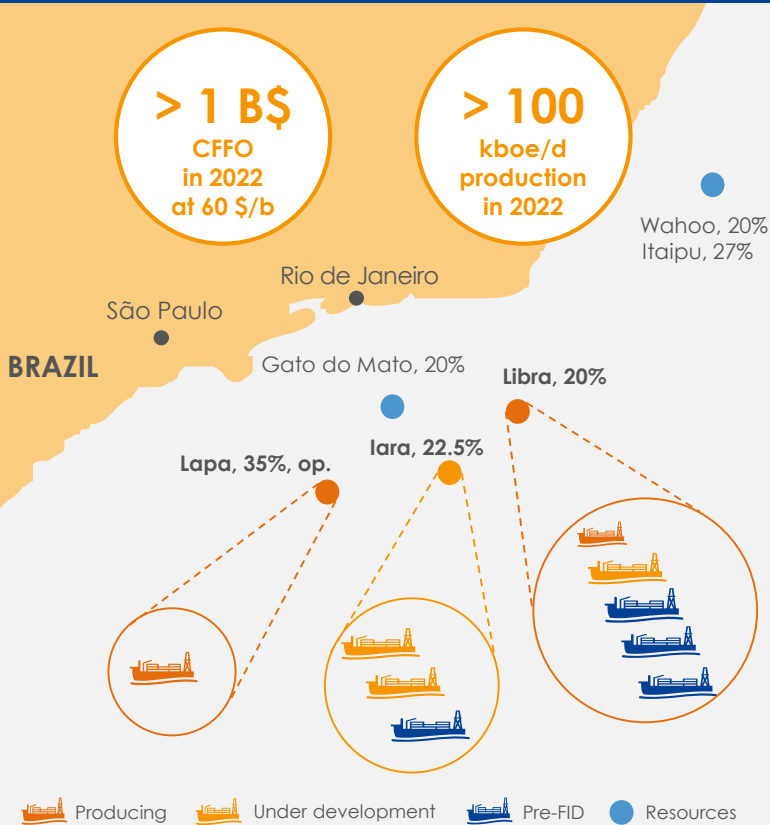
Leveraging deep offshore expertise to prepare future growth

> 1 B\$

CFFO
in 2022
at 60 \$/b

> 100

kboe/d
production
in 2022



> 1 Bboe pre-salt resources being developed

Developing **giant low-breakeven Libra field**

- Libra Pioneiro started up
- Mero 1 FPSO FID taken
- Mero 2 FPSO FID planned in 2018

Strategic Alliance with Petrobras

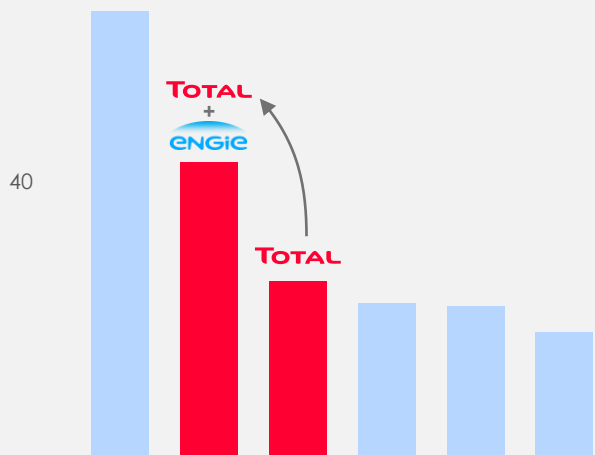
- Lapa, first IOC operator in pre-salt
- lara to start up end-2018

Engie LNG acquisition, step change in fast growing market

#2 LNG player managing > 10% of worldwide market

2020 LNG portfolio

Mt/y for Total*, BP, Chevron, ExxonMobil and Shell



* Subject to closing of the Engie LNG acquisition

Taking advantage of **strong LNG demand**

- +7% in 2016, +10 % in 2017
- 5%/y 2018-25 driven by Asia, notably China

Leveraging **size and flexibility**
in **increasingly commoditized market**

Building **integrated position in the US**
with Barnett shale and Cameron LNG

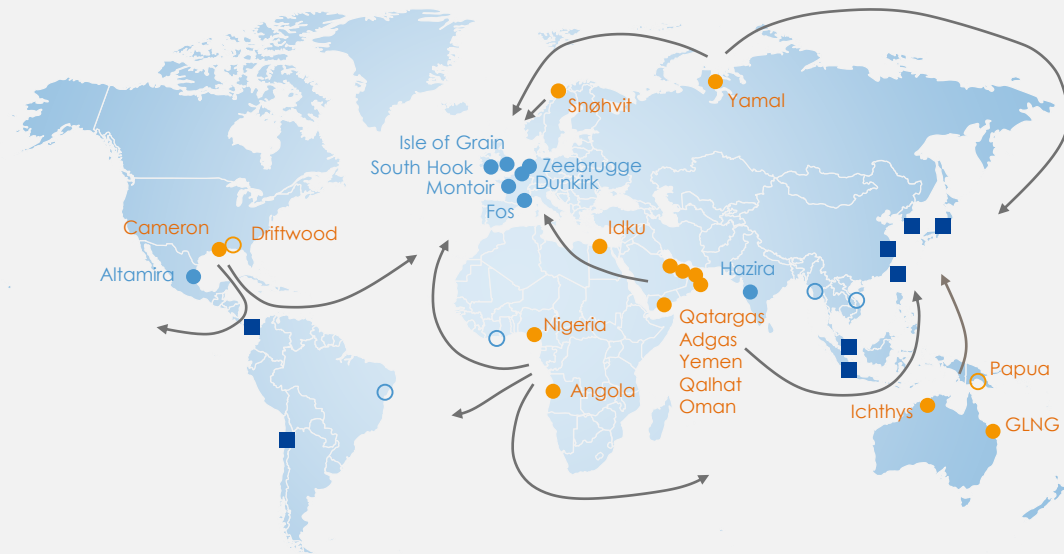
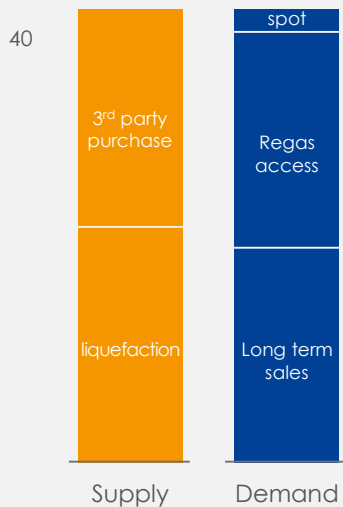
3 B\$/y CFFO from **integrated LNG by 2020**

- Integrated Gas, Renewables & Power reporting from 2019

Leading LNG player with global reach

Leveraging size and flexibility in increasingly commoditized market

2020 portfolio*
Mt/y



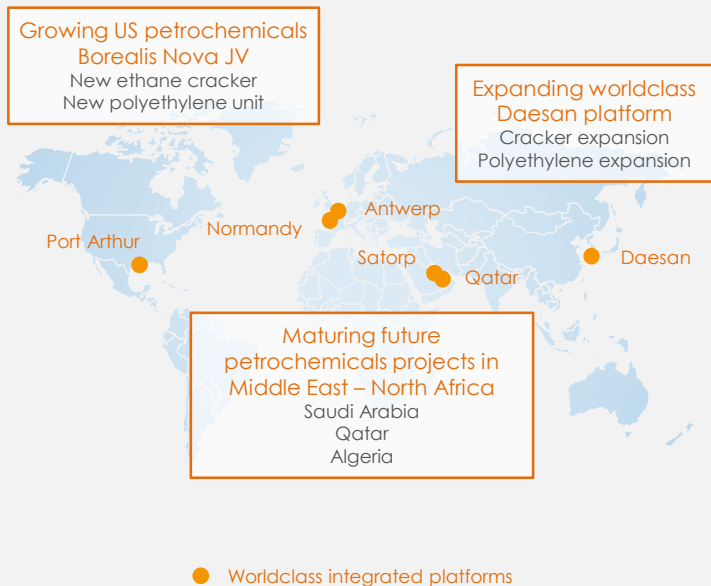
● Liquefaction in operation & project ■ Long term sales ○ Regas in operation & project

80% of supply with **Asian or flexible destination**

* Subject to closing of the Engie LNG acquisition

Building on worldclass integrated platforms

Petrochemical projects



2 B\$/y CFFO by 2020*

Adding value from **low cost gas feedstock**

Leveraging integrated platforms
to maximize synergies and minimize Capex

Differentiated **polymer technology**

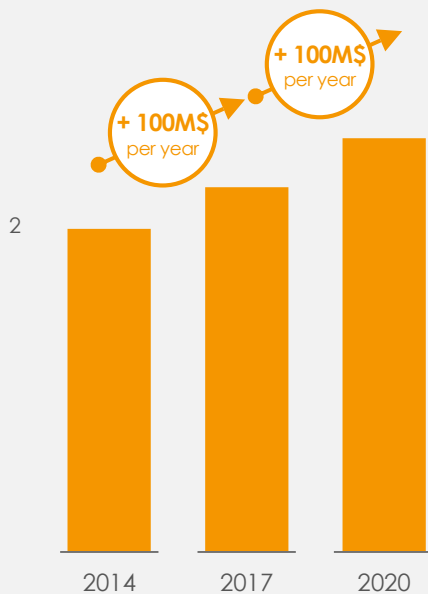
* In 2017 petchem environment

Continuing to grow Marketing & Services

Diversified, non-cyclical source of sustainable cash flow

Marketing & Services CFFO

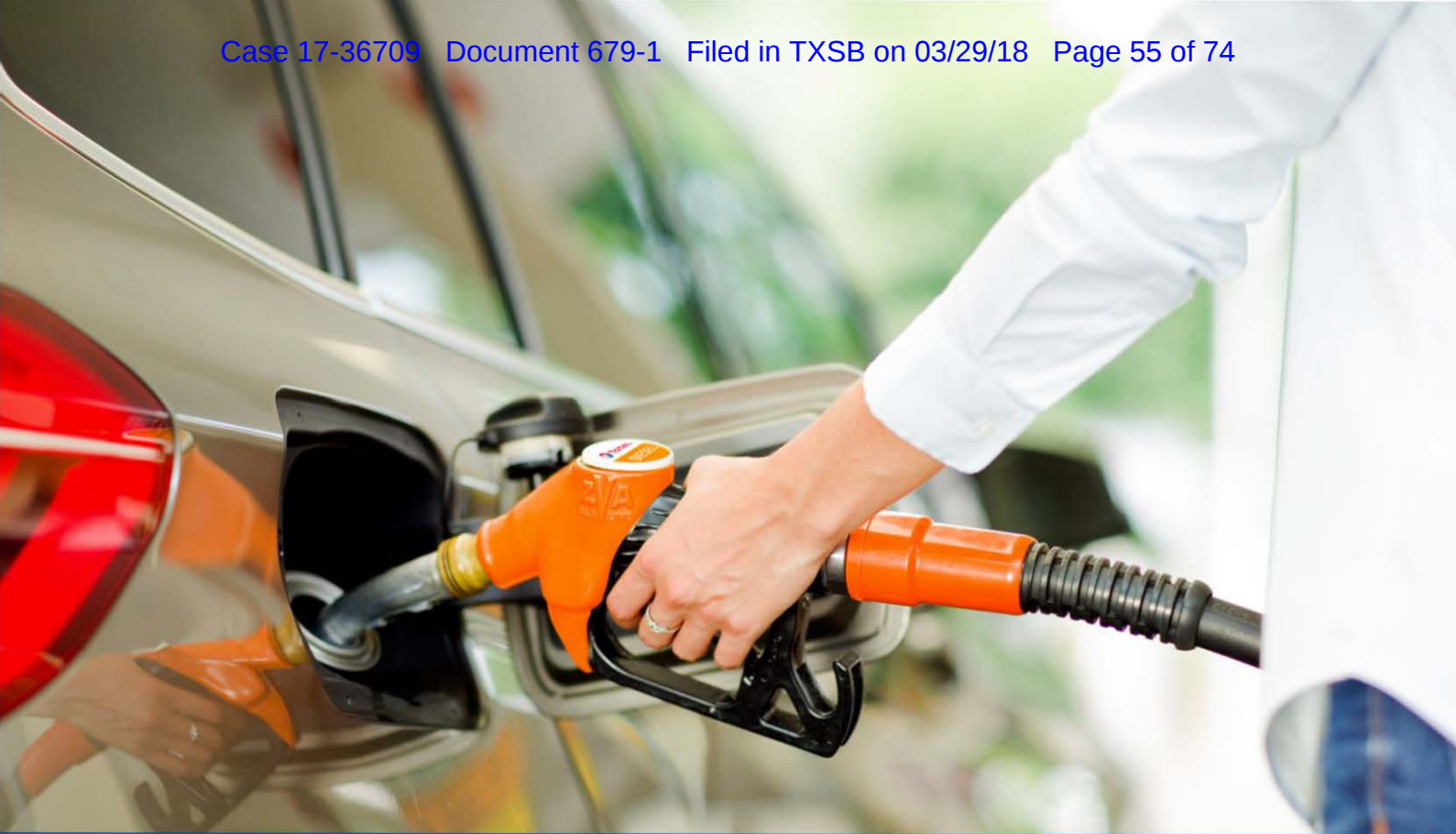
B\$



Expanding **retail and lubricants** in **large, fast growing markets**



First Total service station in Mexico

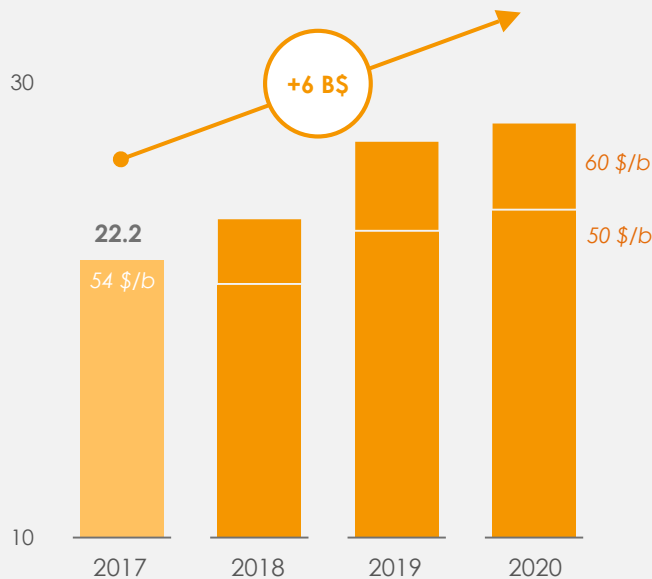


Committed to shareholder return

Visibility on growing cash flow

Strong balance sheet

Debt adjusted cash flow (DACF)*
B\$



* ERM1 = 35 \$/t

Cash-accretive production growth

- **+2 B\$** from Maersk and Brazil
- **+2.5 B\$** from Ichthys, Egina and Kaombo
- CFFO from major start-ups **> 30 \$/boe**

Increasing leverage to oil price

- **2.8 B\$** in 2018 for 10 \$/b change
- **~3.3 B\$** by 2019

12% net-debt-to-capital end-2017

- Flexibility to maintain gearing **< 20%***

* Excluding IFRS16 impact (under evaluation)

Increasing dividend

Free cash flow yield significantly above dividend yield

Organic free cash flow and dividend per share
\$/share



Growing dividend by 10% over 3 years

- From 2.48 €/share in 2017 to 2.72 €/share in 2020

Increasing first 2018 interim dividend by 3.2%

- From 0.62 €/share to 0.64 €/share

Full cash dividend equivalent

- From 1Q18, **buy back all new scrip shares** issued with no discount

Shareholders to benefit from oil price upside through share buyback



Up to 5 B\$ share buyback over 2018-20

- Subject to oil price recovery
- In addition to scrip shares buy back

Clear priorities for cash flow allocation for next 3 years

1

Capital investment

15-17 B\$/y Capex

2

Dividend

**10% increase
over 3 years
No scrip dilution**

3

Balance sheet

**Maintain
gearing < 20%
grade A credit rating**

4

Share buyback

Up to 5 B\$ over 2018-20
subject to oil price recovery

Growing cash and increasing return to shareholders

Maintaining discipline while pursuing an ambitious strategy



Delivering growth

- Operational excellence
- Leadership on costs
- Cash-accretive production growth

Preparing the future

- Upgrading portfolio and launching profitable projects
- Integrated gas and low carbon business
- Growing petrochemicals, retail and lubricants

Committed to shareholder return

Appendix

2017-19 major start-ups

		kboe/d	Share		Country
2017	Kashagan	370	16.8%		Kazakhstan
	Moho Nord	100	54%	Op.	Rep. of Congo
	Edradour-Glenlivet	35	60%	Op.	UK
	Libra Pioneiro	50	20%		Brazil
	Yamal LNG	450	20%		Russia
2018	Fort Hills	180	26%		Canada
	Tempa Rossa	55	50%	Op.	Italy
	Ichthys LNG	340	30%		Australia
	Vaca Muerta	100	41%	Op.	Argentina
	Halfaya 3	200	22.5%		Iraq
	Timimoun	30	38%		Algeria
	Kaombo North	115	30%	Op.	Angola
	Egina	200	24%	Op.	Nigeria
	Iara 1	150	22.5%		Brazil
	Kaombo South	115	30%	Op.	Angola
2019	Culzean*	100	49.99%	Op.	UK
	Johan Sverdrup 1*	440	8.44%		Norway
	Iara 2	150	22.5%		Brazil

* Maersk Oil projects



Disclaimer

This document may contain forward-looking information on the Group (including objectives and trends), as well as forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, notably with respect to the financial condition, results of operations, business, strategy and plans of TOTAL. These data do not represent forecasts within the meaning of European Regulation No. 809/2004.

Such forward-looking information and statements included in this document are based on a number of economic data and assumptions made in a given economic, competitive and regulatory environment. They may prove to be inaccurate in the future, and are subject to a number of risk factors that could lead to a significant difference between actual results and those anticipated, including currency fluctuations, the price of petroleum products, the ability to realize cost reductions and operating efficiencies without unduly disrupting business operations, environmental regulatory considerations and general economic and business conditions. Certain financial information is based on estimates particularly in the assessment of the recoverable value of assets and potential impairments of assets relating thereto.

Neither TOTAL nor any of its subsidiaries assumes any obligation to update publicly any forward-looking information or statement, objectives or trends contained in this document whether as a result of new information, future events or otherwise. Further information on factors, risks and uncertainties that could affect the Company's financial results or the Group's activities is provided in the most recent Registration Document filed by the Company with the French Autorité des Marchés Financiers and annual report on Form 20-F filed with the United States Securities and Exchange Commission ("SEC").

Financial information by business segment is reported in accordance with the internal reporting system and shows internal segment information that is used to manage and measure the performance of TOTAL. Performance indicators excluding the adjustment items, such as adjusted operating income, adjusted net operating income, and adjusted net income are meant to facilitate the analysis of the financial performance and the comparison of income between periods. These adjustment items include:

(i) Special items

Due to their unusual nature or particular significance, certain transactions qualified as "special items" are excluded from the business segment figures. In general, special items relate to transactions that are significant, infrequent or unusual. However, in certain instances, transactions such as restructuring costs or asset disposals, which are not considered to be representative of the normal course of business, may be qualified as special items although they may have occurred within prior years or are likely to occur again within the coming years.

(ii) Inventory valuation effect

The adjusted results of the Refining & Chemicals and Marketing & Services segments are presented according to the replacement cost method. This method is used to assess the segments' performance and facilitate the comparability of the segments' performance with those of its competitors.

In the replacement cost method, which approximates the LIFO (Last-In, First-Out) method, the variation of inventory values in the statement of income is, depending on the nature of the inventory, determined using either the month-end price differentials between one period and another or the average prices of the period rather than the historical value. The inventory valuation effect is the difference between the results according to the FIFO (First-In, First-Out) and the replacement cost.

(iii) Effect of changes in fair value

The effect of changes in fair value presented as an adjustment item reflects for some transactions differences between internal measures of performance used by TOTAL's management and the accounting for these transactions under IFRS.

IFRS requires that trading inventories be recorded at their fair value using period-end spot prices. In order to best reflect the management of economic exposure through derivative transactions, internal indicators used to measure performance include valuations of trading inventories based on forward prices.

Furthermore, TOTAL, in its trading activities, enters into storage contracts, which future effects are recorded at fair value in Group's internal economic performance. IFRS precludes recognition of this fair value effect.

The adjusted results (adjusted operating income, adjusted net operating income, adjusted net income) are defined as replacement cost results, adjusted for special items, excluding the effect of changes in fair value.

Cautionary Note to U.S. Investors – The SEC permits oil and gas companies, in their filings with the SEC, to separately disclose proved, probable and possible reserves that a company has determined in accordance with SEC rules. We may use certain terms in this presentation, such as resources, that the SEC's guidelines strictly prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the disclosure in our Form 20-F, File No 1-10888, available from us at 2, Place Jean Millier – Arche Nord Coupole/Regnault - 92078 Paris-La Défense Cedex, France, or at our website: total.com. You can also obtain this form from the SEC by calling 1-800-SEC-0330 or on the SEC's website: sec.gov.

EXHIBIT O

February 6, 2018 Interview with Total CEO

Patrick Pouyanné, CEO of Total: "After 2020, we run the risk of running out of oil"

The boss of the oil group believes that investments in hydrocarbons have not left since peak 2014.

THE ECONOMY WORLD | 06.02.2018 at 11:19 • Updated 06.02.2018 at 15:33 | Interview by Jean-Michel Bezat ([/journaliste/jean-michel-bezat/](#)) and Nabil Wakim ([/journaliste/jean-michel-bezat/](#))



On the eve of the release of the 2017 results of the oil group, Thursday, February 8, the CEO of Total, Patrick Pouyanné, announces a profit greater than 10 billion dollars.

The price of a barrel has risen sharply. How will this translate into Total's 2017 results?

Net income will be nearly 30% higher than in 2016 [which was \$ 8.3 billion]. These good results are the result of three elements: discipline over expenditures, production growth and higher crude prices. The most important thing is the future. For two years, Total has benefited from low prices to boost its reserves of 5 billion barrels paid 2.5 dollars [2 euros] a barrel, with the acquisition of Danish Maersk Oil, the ADCO concession in Abu Dhabi or the alliance with Petrobras in Brazil.

These operations will ensure an average increase in production of 5% per year until 2022. We have also strengthened our position in liquefied natural gas [LNG] by acquiring Engie's activity, which puts Total second in the world, with 10% of the market.

Read also: The counter-shock oil of 2014-2016 did not have a doping effect on global growth ([/economie/article/2018/01/09/le-contre-choc-petrolier-de-2014-2016-n-a-pas-eu-d-effet-dopant-sur-la-croissance-mondiale_5239530_3234.html](#))

After investing heavily, the group will see its cash flow increase while maintaining its investment discipline, because we do not control oil prices. Finally, we will continue to invest in renewable energies with the increasing desire to produce electricity from gas and renewables, and to sell it on the basis of a simple observation: demand electricity is growing faster than average energy demand.

Is there a risk of scarcity by 2020 - and therefore soaring oil prices - for lack of sufficient investment in 2015-2017?

The major investments of the oil & gas industry have not yet resumed. We are around 400 billion dollars in exploration-production *[more than 750 billion peak 2014]* . After 2020, we run the risk of running out of oil. Demand is growing very fast, and twice as fast in the last three years as in the previous three years.

Read also: Raw materials: too much gas kills the price of gas

([/economie/article/2018/01/20/matieres-premieres-trop-de-gaz-tue-le-prix-du-gaz_5244569_3234.html](http://economie/article/2018/01/20/matieres-premieres-trop-de-gaz-tue-le-prix-du-gaz_5244569_3234.html))

This is fundamental: when crude prices are low, the industry invests less but we consume more. But between the moment we decide to invest and the one where we produce the first barrel, it takes several years. The supply-demand balance is therefore delicate, which explains the cycles and volatility. It is not written that the barrel will stay at its \$ 70 level, and we are working on downturn scenarios at \$ 50. There are still many unknowns on the oil markets.

For a group like Total, is Donald Trump a handicap or a bargain?

At the Davos forum, Donald Trump invited about fifteen European bosses to dinner. I spoke to a president first concerned about the future of his country, not a "businessman" as it is sometimes described. Basically, he never deviated from his line "America first", the only thing that matters to him.

"THE GAS IS DOING WELL, WHICH IS GOOD NEWS FOR CLIMATE ADVOCATES BECAUSE IT EMITS HALF AS MUCH CO₂ AS COAL. "

Its tax reform will benefit companies based in the United States, such as Total. It will especially allow US companies to have a sudden hundreds of billions of dollars of cash blocked outside the United States, which can be reinvested after payment of a minimum tax. Contrary to what Mr. Trump wants, I think coal will not come back. But the gas is doing well, which is good news for climate advocates because it emits half as much CO₂ as coal.

In Saudi Arabia, Prince Mohammed Ben Salman has initiated reforms, including the IPO of oil giant Saudi Aramco ...

Saudi power wants to open and diversify the economy, to evolve a country where the population is accustomed to benefit from a very developed welfare state thanks to the oil rent. With the growth of the population, it is increasingly difficult to provide subsidies to everyone. The relative liberation of Saudi society - on women's rights, culture, religion - is also a way for Crown Prince Mohammed bin Salman to take power. The opening of Saudi Aramco's capital symbolizes this strategy of change.

Read more: Saudi oil giant Saudi Aramco prepares for historic IPO

([/economie/article/2018/02/05/le-geant-petrolier-saudi-aramco-se-prepare-a-une-introduction-en-bourse-historique_5251927_3234.html](http://economie/article/2018/02/05/le-geant-petrolier-saudi-aramco-se-prepare-a-une-introduction-en-bourse-historique_5251927_3234.html))

But will the Saudis want to bring the company to Wall Street? To be listed in New York implies to be submitted to the American judicial system, with all the consequences that this can have in terms of legal actions ... This perspective could make them back down and privilege, for example, the direct sale of a part of Saudi Aramco to the Chinese, fond of Saudi oil. China is the cheapest, because of its gigantic size, to sell Saudi oil. If this happens - after China's entry into oil in Abu Dhabi and Iraq - Beijing will have to become more involved in the stability of the Middle East.

Total is engaged in a major gas project in Iran. Are the threats of the United States to revert to the Iranian nuclear deal worry you?

Our project in Iran, "South Pars 11", is progressing well, without delay, and we continue to work, even though the situation in the US Congress is rather blurry. If the Americans decide to get out of the nuclear treaty and the secondary sanctions are back in place, that will be a real question. It's still politics-fiction, but at some point, it will still be necessary to clear the horizon of the European societies working in Iran.

Read also: Investors have found the taste for oil (economie/article/2018/01/13/les-investisseurs-ont-retrouve-le-gout-pour-le-petrole_5241301_3234.html)

This is why we are thinking with the French and European authorities of ways to protect investments already launched in Iran, even in the event of a return of sanctions. The Americans had accepted derogations in the 1990s, particularly on our gas project. It is up to European diplomacy to seize these questions.

Upon your arrival at the head of Total at the end of 2014, you criticized the sanctions against Russia. Should we lift them?

This summer, the responsibility for sanctions has shifted from the US president to Congress. To raise them, it will therefore be necessary to find a Republican-Democrats agreement on Capitol Hill, where anti-Russian sentiment is very strong. Moreover, there is not really a European dynamic on Russia. In Moscow, the hope of a lifting of sanctions has faded. This adds to their feeling of being a beleaguered fortress. It is not for nothing that Russia does not respect the embargo on the sale of fuel oil to North Korea. His attitude in Syria and Libya may also be partly explained by his desire to break out of isolation.

"SANCTIONS ARE A PERVERSE SYSTEM THAT HURTS PEOPLE. THEY ONLY REINFORCE AUTHORITARIAN REGIMES. "

Sanctions are a perverse system that hurts people, who obviously have no choice but to support their country. They only strengthen authoritarian regimes and feed nationalism. And finally, we end up unlike what we were looking for. That said, it has been demonstrated, with the Yamal LNG gas liquefaction plant, that a very large project in Russia [*\$ 27 billion*] can be *completed* without using the dollar or violating the sanctions policy. We managed to build bridges where there were walls.

With the agreement of Paris on the climate, the announced end of the gasoline cars in several countries, one has the impression that the oil days are counted ...

Certainly, it is possible that the consumption of oil decreases. In 2040, I think it will be lower than 2018. But the world will still consume 80 or 90 million barrels a day. This is why Total is adapting its strategy to changing markets: the trend is towards less oil, more gas and more renewable energy. We will not go looking for oil in Alaska or in areas where production is complicated and therefore expensive. That said, it is wrong to say that energy in the world will rest in 2040 only intermittent renewable energy.

Read also: [Muanda, the small oil kingdom of Perenco](http://www.lemonde.fr/economie/article/2018/02/02/muanda-le-petit-royaume-petrolier-de-perenco_5250766_3234.html) (economie/article/2018/02/02/muanda-le-petit-royaume-petrolier-de-perenco_5250766_3234.html)

How do you judge Emmanuel Macron's policy towards companies?

The head of state has very sound economic and fiscal fundamentals. He works as a business leader and defends French economic interests abroad. Everything is not perfect, but it has made reforms that have been long overdue, particularly in terms of taxation and labor law. A number of constraints have been lifted. He especially managed to restore a form of confidence and pride in France. It was obvious in Davos.

"TAX COMPETITION IS GLOBAL, AND EMMANUEL MACRON'S APPROACH TO ATTRACTING COMPANIES IS NOT SO DIFFERENT FROM DONALD TRUMP'S. "

Tax competition is global, in the context of a merciless economic war, and Emmanuel Macron's approach to attracting companies is not so different from that of Donald Trump. Moreover, it works effectively: when we raise concerns, we are listened to, it goes down quickly in the ministries. Our interlocutors know their files, it feels good. Now, we have to see if it will keep pace with reforms in the long run. Do not stop there. I think we need to support this positive movement. Let us not forget that nearly 50% of voters voted for right or left populists in the presidential election.

And that of Nicolas Hulot?

He is a pragmatist, not a sectarian. We had very interesting exchanges together. He realized that Total was investing in renewables, in batteries, thanks to the financial resources from our oil and gas activities. He sees far and wants to move the system while knowing that there will be no "big night". He likes to understand all aspects of energy, without emotion or dogmatism. He tries to register his action in the long time, we can thank him gratefully.

Patrick Pouyanné, PDG de Total : « Après 2020, on risque de manquer de pétrole »

Le patron du groupe pétrolier estime que les investissements dans les hydrocarbures ne sont pas repartis depuis le pic de 2014.

LE MONDE ECONOMIE | 06.02.2018 à 11h19 • Mis à jour le 06.02.2018 à 15h33 | Propos recueillis par Jean-Michel Bezat ([journaliste/jean-michel-bezat](#)) et Nabil Wakim



A la veille de la publication des résultats 2017 du groupe pétrolier, jeudi 8 février, le PDG de Total, Patrick Pouyanné, annonce un bénéfice supérieur à 10 milliards de dollars.

Le prix du baril a fortement augmenté. Comment cela se traduira-t-il dans les résultats 2017 de Total ?

Le résultat net sera de près de 30 % supérieur à celui de 2016 [qui était de 8,3 milliards de dollars]. Ces bons résultats sont le fruit de trois éléments : discipline sur les dépenses, croissance de la production et hausse des prix du brut. Le plus important, c'est l'avenir. Depuis deux ans, Total a profité de prix bas pour regonfler ses réserves de 5 milliards de barils payés 2,5 dollars [2 euros] le baril, avec l'acquisition du danois Maersk Oil, la concession ADCO à Abou Dhabi ou l'alliance stratégique avec Petrobras au Brésil.

Ces opérations assureront une hausse moyenne de la production de 5 % par an jusqu'en 2022. Nous nous sommes aussi renforcés dans le gaz naturel liquéfié [GNL] en rachetant l'activité d'Engie, ce qui place Total au deuxième rang mondial, avec 10 % du marché.

Lire aussi : Le contre-choc pétrolier de 2014-2016 n'a pas eu d'effet dopant sur la croissance mondiale ([\(economie/article/2018/01/09/le-contre-choc-petrolier-de-2014-2016-n-a-pas-eu-d-effet-dopant-sur-la-croissance-mondiale_5239530_3234.html\)](#))

Après avoir beaucoup investi, le groupe verra son cash-flow augmenter tout en conservant sa discipline d'investissement, parce qu'on ne maîtrise pas les prix du pétrole. Enfin, nous allons continuer d'investir dans les énergies renouvelables avec la volonté de plus en plus affirmée de

Patrick Pouyanné, PDG de Total : « Après 2020, on risque de manquer de pétrole »
 produire de l'électricité à partir du gaz et des renouvelables, et de la vendre, sur la base d'un constat simple : la demande en électricité croît plus vite que la demande moyenne en énergie.

Y a-t-il un risque de pénurie à l'horizon 2020 – et donc de flambée des prix du pétrole –, faute d'investissements suffisants en 2015-2017 ?

Les grands investissements de l'industrie « oil & gas » n'ont pas encore repris. On est autour de 400 milliards de dollars dans l'exploration-production [plus de 750 milliards au pic de 2014]. Après 2020, on risque de manquer de pétrole. La demande progresse très vite, et même deux fois plus vite ces trois dernières années que lors des trois années précédentes.

Lire aussi : Matières premières : trop de gaz tue le prix du gaz

([/economie/article/2018/01/20/matieres-premieres-trop-de-gaz-tue-le-prix-du-gaz_5244569_3234.html](http://economie/article/2018/01/20/matieres-premieres-trop-de-gaz-tue-le-prix-du-gaz_5244569_3234.html))

C'est un fondamental : quand les prix du brut sont bas, l'industrie investit moins mais on consomme plus. Mais entre le moment où l'on décide d'investir et celui où l'on produit le premier baril, il s'écoule plusieurs années. L'équilibre offre-demande est donc délicat, ce qui explique les cycles et la volatilité. Il n'est pas écrit que le baril va rester à son niveau de 70 dollars, et nous travaillons sur des scénarios de replis à 50 dollars. Il reste beaucoup d'inconnues sur les marchés pétroliers.

Pour un groupe comme Total, Donald Trump est-il un handicap ou une aubaine ?

Au forum de Davos, Donald Trump a invité une quinzaine de patrons européens à dîner. J'ai parlé à un président d'abord soucieux de l'avenir de son pays, pas à un « homme d'affaires » comme on le décrit parfois. Au fond, il n'a jamais dévié de sa ligne « America first », la seule chose qui compte à ses yeux.

« LE GAZ SE
 PORTE BIEN, CE
 QUI EST UNE
 BONNE
 NOUVELLE POUR
 LES DÉFENSEURS
 DU CLIMAT, CAR IL
 ÉMET DEUX FOIS
 MOINS DE CO₂
 QUE LE
 CHARBON. »

Sa réforme fiscale va bénéficier aux entreprises implantées aux Etats-Unis, comme Total. Elle va surtout permettre aux sociétés américaines de disposer d'un coup des centaines de milliards de dollars de cash bloqués hors des Etats-Unis, qui pourront y être réinvestis après paiement d'une taxe minimale. Contrairement à ce que souhaite M. Trump, je pense que le charbon ne reviendra pas. Mais le gaz se porte bien, ce qui est une bonne nouvelle pour les défenseurs du climat, car il émet deux fois moins de CO₂ que le charbon.

En Arabie saoudite, le prince Mohammed Ben Salman a engagé des réformes, notamment l'introduction en Bourse du géant pétrolier Saudi Aramco...

Le pouvoir saoudien veut ouvrir et diversifier l'économie, faire évoluer un pays où la population est habituée à bénéficier d'un Etat providence très développé grâce à la rente pétrolière. Avec la croissance de la population, il est de plus en plus difficile d'assurer des subventions à tout le monde. La libération relative de la société saoudienne – sur les droits des femmes, la culture, la religion – est aussi un moyen pour le prince héritier Mohammed Ben Salman de prendre le pouvoir. L'ouverture du capital de Saudi Aramco symbolise cette stratégie de changement.

Lire aussi : Le géant pétrolier Saudi Aramco se prépare à une introduction en Bourse historique

([/economie/article/2018/02/05/le-geant-petrolier-saudi-aramco-se-prepare-a-une-introduction-en-bourse-historique_5251927_3234.html](http://economie/article/2018/02/05/le-geant-petrolier-saudi-aramco-se-prepare-a-une-introduction-en-bourse-historique_5251927_3234.html))

Mais les Saoudiens voudront-ils introduire l'entreprise à Wall Street ? Etre coté à New York implique d'être soumis au système judiciaire américain, avec toutes les conséquences que cela peut avoir en termes d'actions légales... Cette perspective pourrait les faire reculer et privilégier, par exemple, la vente directe d'une partie de Saudi Aramco aux Chinois, friands de pétrole saoudien. La Chine est le meilleur marché, du fait de sa taille gigantesque, pour écouler le pétrole saoudien. Si cela se passe – après l'entrée de la Chine dans le pétrole à Abou Dhabi et en Irak –, Pékin devra s'impliquer plus dans la stabilité du Moyen-Orient.

Total s'est engagé dans un important projet gazier en Iran. Les menaces des Etats-Unis de revenir sur l'accord sur le nucléaire iranien vous inquiètent-elles ?

Notre projet en Iran, « South Pars 11 », progresse bien, sans retard, et nous continuons à travailler, même si la situation au Congrès américain est assez floue. Si les Américains décident de sortir du traité nucléaire et que les sanctions secondaires se remettent en place, cela nous posera une vraie question. C'est encore de la politique-fiction, mais à un moment donné, il faudra quand même éclaircir l'horizon des sociétés européennes travaillant en Iran.

Lire aussi : Les investisseurs ont retrouvé le goût pour le pétrole

([/economie/article/2018/01/13/les-investisseurs-ont-retrouve-le-gout-pour-le-petrole_5241301_3234.html](http://economie/article/2018/01/13/les-investisseurs-ont-retrouve-le-gout-pour-le-petrole_5241301_3234.html))

C'est pour cela qu'on réfléchit avec les autorités françaises et européennes aux moyens de protéger les investissements déjà lancés en Iran, même en cas de retour des sanctions. Les Américains avaient accepté des dérogations dans les années 1990, notamment sur notre projet gazier. C'est donc à la diplomatie européenne de s'emparer de ces questions.

Dès votre arrivée à la tête de Total, fin 2014, vous critiquiez les sanctions contre la Russie. Faut-il les lever ?

Cet été, la responsabilité des sanctions a basculé du président américain au Congrès. Pour les lever, il faudra donc trouver un accord républicains-démocrates au Capitole, où le sentiment antirusse est très fort. De plus, il n'y a pas vraiment de dynamique européenne sur la Russie. A Moscou, l'espoir d'une levée des sanctions s'est donc évanoui. Cela ajoute à leur sentiment d'être une forteresse assiégée. Ce n'est pas pour rien que la Russie ne respecte pas l'embargo sur la vente de fioul à la Corée du Nord. Son attitude en Syrie et en Libye peut aussi s'expliquer en partie par cette volonté de sortir de l'isolement.

« LES SANCTIONS SONT UN SYSTÈME PERVERS QUI FAIT SOUFFRIR LES PEUPLES. ELLES NE FONT QUE RENFORCER LES RÉGIMES AUTORITAIRES. »

Les sanctions sont un système pervers qui fait souffrir les peuples, qui n'ont évidemment pas d'autre choix que de soutenir leur pays. Elles ne font que renforcer les régimes autoritaires et nourrir le nationalisme. Et l'on aboutit, finalement, au contraire de ce qu'on recherchait. Cela dit, on a démontré, avec l'usine de liquéfaction de gaz de Yamal LNG, qu'on peut mener à bien un très grand projet en Russie [27 milliards de dollars] sans recourir au dollar ni violer la politique des sanctions. On a réussi à construire des ponts là où il y avait des murs.

Avec l'accord de Paris sur le climat, la fin annoncée des voitures à essence dans plusieurs pays, on a l'impression que les jours du pétrole sont comptés...

Certes, il est possible que la consommation de pétrole décroisse. En 2040, je pense qu'elle sera inférieure à celle de 2018. Mais le monde consommera encore 80 ou 90 millions de barils par jour. C'est pour cela que Total adapte sa stratégie à l'évolution des marchés : la tendance va vers moins de pétrole, plus de gaz et plus d'énergies renouvelables. Nous n'irons pas chercher du pétrole en Alaska ou dans des zones où la production est compliquée et donc chère. Ceci dit, il est faux d'affirmer que l'énergie dans le monde reposera en 2040 uniquement sur les énergies renouvelables intermittentes.

Lire aussi : Muanda, le petit royaume pétrolier de Perenco ([/economie/article/2018/02/02/muanda-le-petit-royaume-petrolier-de-perenco_5250766_3234.html](http://economie/article/2018/02/02/muanda-le-petit-royaume-petrolier-de-perenco_5250766_3234.html))

Comment jugez-vous la politique d'Emmanuel Macron en direction des entreprises ?

Le chef de l'Etat a des fondamentaux économiques et fiscaux très sains. Il travaille comme un chef d'entreprise et défend les intérêts économiques français à l'étranger. Tout n'est pas parfait, mais il a fait des réformes qu'on attendait depuis longtemps, notamment sur le plan fiscal et sur le droit du travail. Un certain nombre de contraintes ont été levées. Il a surtout réussi à redonner une forme de confiance et de fierté dans la France. C'était flagrant à Davos.

« LA COMPÉTITION FISCALE EST MONDIALE, ET LA DÉMARCHE

La compétition fiscale est mondiale, dans le cadre d'une guerre économique sans pitié, et la démarche d'Emmanuel Macron pour attirer les entreprises n'est pas si différente de celle de Donald Trump. Par ailleurs, il travaille de manière efficace : quand on fait remonter des préoccupations, on est écouté, cela redescend rapidement dans les ministères. Nos interlocuteurs connaissent leurs dossiers, ça fait du bien. Maintenant, il faut

D'EMMANUEL
MACRON POUR
ATTIRER LES
ENTREPRISES
N'EST PAS SI
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CELLE DE
DONALD TRUMP. »

voir s'il tiendra le rythme des réformes dans la durée. Il ne faut pas s'arrêter là. Je pense qu'il faut soutenir ce mouvement positif. N'oublions pas que près de 50 % des électeurs ont voté pour des populistes de droite ou de gauche à la présidentielle.

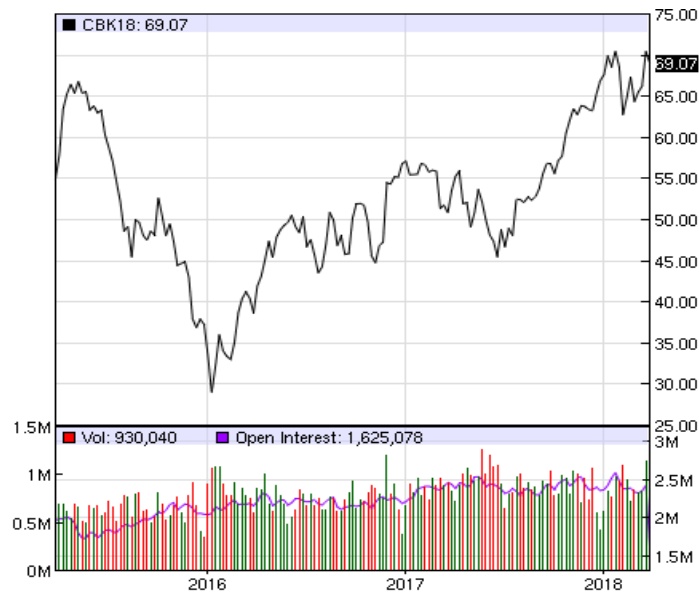
Et celle de Nicolas Hulot ?

C'est un pragmatique, pas un sectaire. Nous avons eu ensemble des échanges très intéressants. Il s'est rendu compte que Total investissait dans les renouvelables, dans les batteries, et cela grâce aux ressources financières issues de nos activités pétrolières et gazières. Il voit loin et veut faire bouger le système tout en sachant qu'il n'y aura pas de « grand soir ». Il aime comprendre tous les aspects de l'énergie, sans émotion ni dogmatisme. Il cherche à inscrire son action dans le temps long, on peut lui en savoir gré.

EXHIBIT P

Crude Oil Brent & WTI 3-Year Price Trends

Brent Crude Oil Prices (April 2015- March 2018)¹



WTI Crude Oil Prices (April 2015- March 2018)²



¹ Available at <https://www.nasdaq.com/markets/crude-oil-brent.aspx?timeframe=3y>

² Available at <https://www.nasdaq.com/markets/crude-oil.aspx?timeframe=3y>