



OMB / OIRA Meeting

BOEM Financial Assurance Proposed Rule

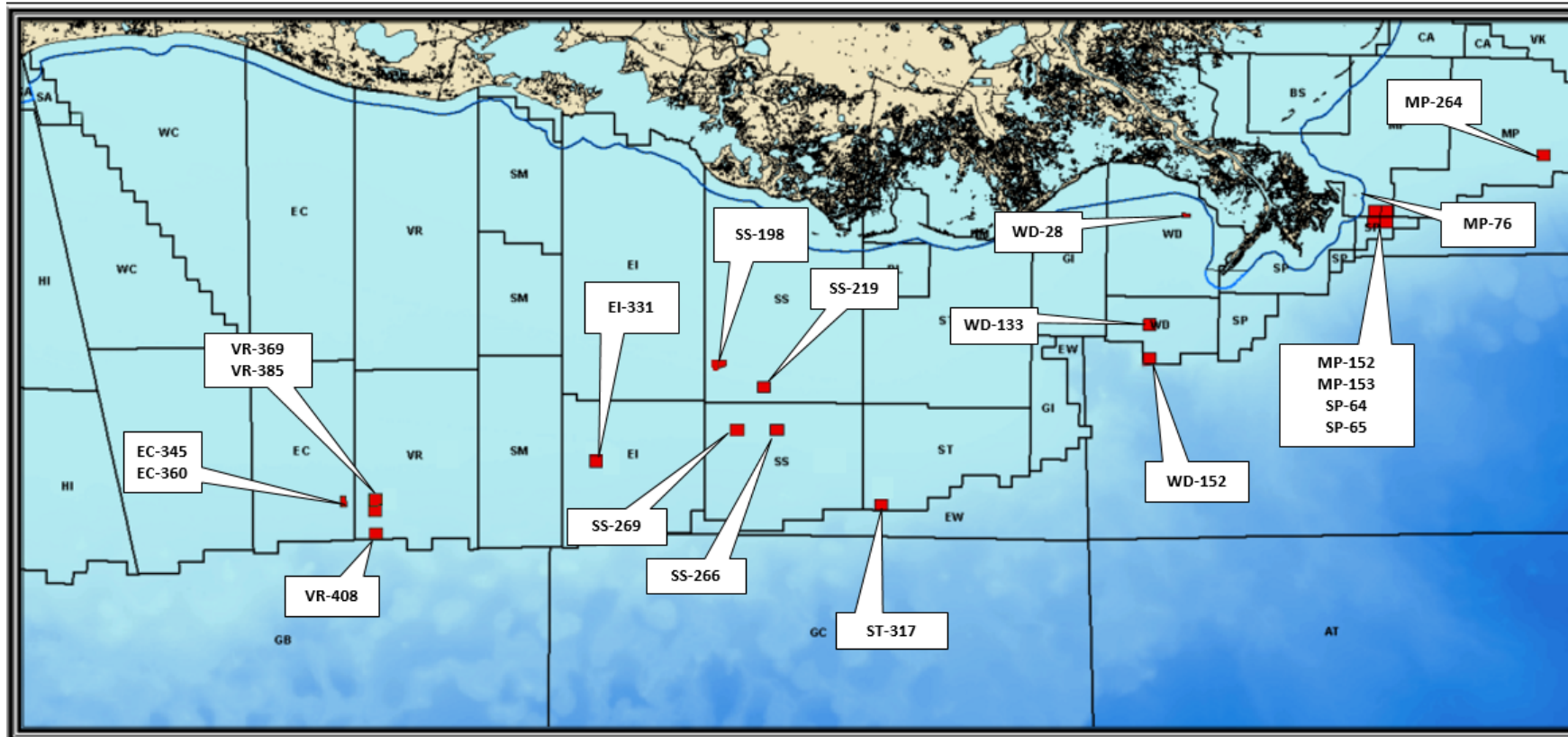
March 13, 2024

Company History

- Formed in Dec 2011 to acquire legacy, oil weighted Gulf of Mexico producing properties
- Successfully acquired 14 fields, largely 100% owned & operated and 75% oil weighted
- Seasoned management team with each officer having over 40 years industry experience

Company Summary

- Provide employment to 100+ workers on the Gulf Coast with indirect employment to 100's more
- Operated successfully for 12 years through the oil price collapse of 2014/2015 and COVID collapse of 2020
- Historically operated with higher average safety record than the industry, including many of the oil Majors
- Actively addressing P&A, including removing 4 platforms and plugging over 30 wells in the past 24 months



➤ **14 Fields base production 4,500 boepd**

- 14 fields are operated by Renaissance
- 12 fields with 100% working interest

P&A Decommissioning Estimates under the Proposed Regulation are Flawed

- BOEM's well cost estimates at our VR369 field per well are: **P50 - \$710,000; P70 - \$863,000; P90 - \$1,085,000.**
- Renaissance recently completed an 8 well P&A program at \$283,000 per well. No well P&A program we have completed to date has come close to costing as much as BOEM's estimates.
- Renaissance recently engaged the leading decommissioning company in the industry to prepare a detail estimate of field P&A liability and their well abandonment estimates were in line with our experience of \$250-300k per well.
- BOEM's abandonment estimates are based off generic data, much of which has been reported by the Major oil companies which have a different cost structure than Independent companies.
- The decommissioning estimates being used in the proposed rule are unrealistic for the Independent operators being targeted by the Proposed Rule.
- Any new rule should allow each company to hire a 3rd party expert to provide realistic decommissioning estimates specific to the company and assets being evaluated by BOEM.

Surety Market Does Not Have Capacity to Meet the Requirements

- BOEM's Proposed Rule is dead on arrival because surety capacity has shrunk dramatically in the past few years.
 - Eight sureties with over \$1 billion of capacity have recently exited the market and four more with capacity over \$200 million no longer provide that capacity for Independents with credit ratings below BB.
- BOEM is estimating total bond market capacity, but the vast majority of that capacity is for BBB+ rated companies that are not affected by the Proposed Rule. BOEM is ignoring warnings from the sureties who provide capacity to Independents that the surety market will not be able to support the Proposed Rule.
- BOEM believes other credit instruments would be available in lieu of surety bonds; however, the market for loan and lines of credit to Independents in the Gulf of Mexico is **much** worse than the bonding market.
- The only option for Independents under the Proposed Rule would be to use cash flow which is earmarked for development spending to pre-fund decommissioning escrow accounts. This would severely limit or eliminate the ability to generate future cash flow required to fund future P&A work and would send the Independents into a death spiral.
- This Proposed Rule would do the exact opposite of what it claims to be its intention. Rather than protecting taxpayers it would create unemployment and weaken the Independent's ability to meet their future P&A obligations.

BOEM's Proposed Rule Arbitrarily Increased Credit Rating Requirement

- BOEM's current rule requires non-public companies to have a BB credit as rated by S&P Capital IQ in order to qualify for bonding waiver.
- As mentioned earlier, many of the remaining sureties that are still willing to write bonds to Independents have cut off capacity to clients with a credit rating below BB.
- BOEM appears to have arbitrarily increased the bonding waiver requirement from BB to BBB. There is no explanation for this increase and it is misaligned with the current surety market which BOEM is relying on to make this Proposed Rule work.

Proposed Rule Offers No Guidance On What Happens to Existing Wells If No Surety Market Exists

- What happens to Independent producers like Renaissance when they suddenly cannot meet BOEM's bonding requirements because there is not a bond market that exists to purchase?
- How will this impact our existing operations?
- Will Renaissance be forced to shut in existing wells – effectively stranding our assets, laying off 100's of workers and bankrupting our business?

Renaissance supports position of Gulf Energy Alliance (GEA), whose members are the Independent O&G producers in the U.S. Gulf

- BOEM's "Solution" is Radically Disproportionate to the "Problem"
- Cost-Benefit Analysis is Deeply Flawed
- BOEM Fails to Consider Reasonable Alternatives that would achieve same objective of protecting the taxpayers, but without the crushing regulatory burden on small businesses.

Conclusion:

- 1) Renaissance requests the Final Rule focus on the true risk to taxpayers – sole liability properties.
- 2) The Final Rule needs to include a provision for Operators to request P&A cost revisions for Wells and Facilities.
- 3) Operators should be allowed to use alternate P&A abandonment costs – provided such costs are verified by qualified independent 3rd party engineering/cost estimation protocols.
- 4) The Final Rule needs to keep the current BB credit rating for BOEM's measure of financial strength.