25% Partner Wanted for Breton Sound 32 Development Prospect

Saratoga Resources is seeking a 25% partner for a twelve-well development drilling program in the Breton Sound 32 Field, offshore bay environment, Louisiana. Cost to the 25% working interest for initial three wells is $2.625 million. Development drilling program quickly becomes self-funding.

The Breton Sound 32 Field has previously produced 14 MMBO and 23 BCFG from 65 wells. Saratoga was operator of the field from October 2008 to July 2016, during which time they did an exhaustive field study and drilled three successful horizontal or directional wells in the “5800-foot Sand” reservoir. These wells achieved initial rates of 312 to 1,531 BOPD, paid out quickly and generated excellent economic returns. Four to five years of production history on these wells has proved the concept that substantial “attic oil” reserves remain to be exploited in this high-quality reservoir with a strong bottom-water drive using horizontal drilling techniques. In 2015, Netherland Sewell & Associates, Inc. (“NSAI”) published a reserve study for Saratoga on the Breton Sound 32 field that projected 11.2 MMBO of 3P reserves.

Saratoga has obtained agreement regarding a farmout from the current owner of Breton Sound 32 Field and has developed a seismically-driven plan to drill a program of 12 horizontal wells in four phases of 3 wells each. These are infill development locations that are up dip to previous wells. The program is estimated to cost $42 million, each phase would be $10.5 million. Drilling activities are currently scheduled to commence in Q4-2018.

The farmout arrangement includes access to existing Breton Sound infrastructure without associated liability. The existing platforms, facilities and flowlines are in a shallow (12 foot) water environment. Production is typically gas lifted as there is plenty of associated gas. Sales point is on the platform. The infrastructure also includes three water disposal wells and two compressors. There will be no facilities charges for the first three wells.

Saratoga has obtained financing for its 75% share of the project and is looking for a partner who can participate for a 25% working interest in the first phase of drilling. Projected reserves for the three-well program are 2.0 MMBO and 0.4 BCF.

Estimated costs and terms for the 25% participation are as follows:

- Cost $2.625 million to drill, complete and hook up three wells for production;
- One-time prospect fee of $200K;
- NRI of 82.0%;
- Investor interest subject to a Net Profits Interest of 1.25% and a 25% back-in after payout;
- No acquired P&A obligations, bonding requirements, or SSTA’s;
- Lock-box banking arrangements;
- Low overhead charges;
- Drillco entity will be established to insulate against liability;
- Permits in hand, can start drilling in October.

Projected economics to the investor for the first phase of three wells show payout in 8 months, PV-10 cash flow of $9.782 million, Discounted ROI of 3.50 to 1.00, and Internal Rate of Return of 162%.

In a 12 well program, projections show that the project quickly becomes self-funding from cash flow. This will greatly amplify returns on capital invested. The upside is that there may be as many as 22 horizontal wells to be drilled to the 5800-foot Sand. Another important point is that the oil sold from this project will be based on the Louisiana Light Index, which is currently priced at a premium to West Texas Intermediate.

If you are interested will send you a NCND. Upon receipt of a signed NCND, I will forward a presentation and arrange for you to speak with the operator. Please contact me by email at JackSteinhauser@HSEAI.com , or by phone at 303-324-5054.

This offer is subject to prior sale or withdrawal.