

Offshore: The Next Big Frontier For Global Oil and Gas



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Offshore: The Next Big Frontier for Global Oil and Gas

Compelling geology, regulatory reforms and the need to restock reserves are creating a boom in offshore drilling as global oil majors search for the next Brazil. With the prospect of fossil fuel demand expected to remain at least at current levels and U.S. shale production starting to top out companies such as Shell, are returning to places such as offshore Angola after a 20-year absence.

Deepwater oil and gas production is likely to surge by 60% over the next five years, according to Wood Mackenzie. Major oil companies are aggressively expanding offshore, driven by technological advances and the need to replenish declining reserves. ExxonMobil has found success in Guyana while Chevron is expanding Brazil's Fox do Amazonas Basin and is active in Angola. The majors are also exiting mature basins such as in the North Sea with both ExxonMobil and Shell selling assets to focus capital elsewhere. New drilling technology that makes it possible to drill under pressures of up to 20,000 pounds per square inch has the potential to unlock an additional five billion barrels of recoverable oil reserves with deepwater drilling.

Oil majors are once again focused on oil & gas exploration and production. A slowing energy transition and challenges building out low-carbon businesses have seen global majors shift focus back to oil & gas exploration and production to maintain dividends and cash flows through the next decade.

Geopolitics has helped energy companies focus on upstream activities. Geopolitical disruptions such as the U.S./Israel war with Iran and Russia's invasion of Ukraine have weakened the incentives for CEOs to prioritize low-carbon projects amid high oil prices and changing investor expectations.

Upfront costs are significantly higher for offshore drilling; however those costs are offset by economies of scale and the potential for massive discoveries. Exxon's Payara development in offshore Guyana has cost the company roughly \$9 billion whereas hydraulically fracturing and drilling a shale well is quick and relatively cheap. But after a decade of intensive shale drilling in the U.S. most of the productive locations in the U.S. have been tapped. Production from shale wells tends to fall quickly so new wells must be drilled quickly to offset production losses. Many shale producers are also relatively small and reliant on debt to fuel their drilling programs, potentially a problem in a higher interest rate environment. Offshore drilling is generally the domain of large producers that rely on massive economies of scale to justify their upfront investment with these wells producing vast amounts of oil for decades. Exxon's Paraya project, for example, is expected to deliver 224,000 barrels of oil a day.

Offshore oil production generates fewer carbon emissions per barrel than other forms of production, due to their massive scale. The Bay du Nord project in offshore Newfoundland when it comes online in 2030 is expected to have 500 million barrels of recoverable reserves, enough to last 20 years, justifying the large upfront capex. New technology also allows offshore production to emit less carbon per barrel than onshore as it is easier to curb flaring and methane emissions and recycle heat offshore, reducing emissions on a per barrel basis.

Global majors are focusing on exploration & production again after nearly a decade focused on energy transition

Most companies will struggle to hold production at anywhere near current levels

The largest 30 companies will face a huge production deficit by 2040 without discovering new reserves. These companies collectively produce around 50 million boe per day, which represents close to 30% of global oil and gas demand. Based on today's production figures and expected declines by 2040 they will need an additional 22 million boe/d of production to maintain market share, according to Wood Mackenzie.

Exhibit 1: The Group of 30 Will Have a Production Shortfall by 2040 Nearly Double That of the Permian Basin

| Euro Majors | US Majors | International E&Ps | North American E&Ps | NOCs |
|---------------|------------|--------------------|---------------------|--------------|
| BP | Chevron | APA Corporation | Canadian Natural | CNPC |
| Eni | ExxonMobil | INPEX | Cenovus | CNOOC |
| Equinor | | Repsol | ConocoPhillips | ONGC |
| Shell | | Santos | Devon | PEMEX |
| TotalEnergies | | Woodside Energy | EOG Resources | Petrobras |
| | | | Expand Energy | PETRONAS |
| | | | Ovintiv | PetroVietnam |
| | | | Oxy | PTTEP |
| | | | Suncor | Sinopec |

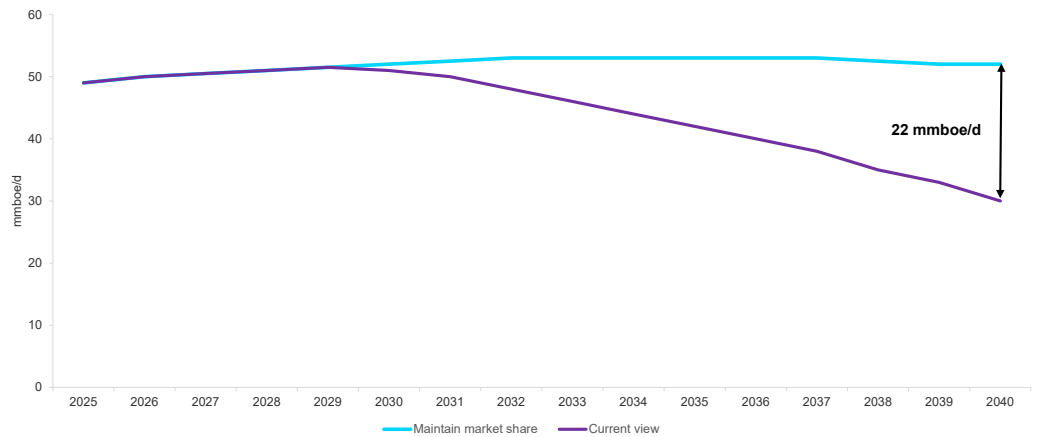
Source: Granite Point Research

For the largest 30 oil and gas companies' production from current commercial projects is expected to fall by nearly 40% between 2025-2040. This decline is most acute for companies without U.S. tight oil exposure.

This amount is equivalent to 14 Guyana scale plays or nearly two Permian basins. The situation is most acute for national oil companies (NOCs) and the Euro Majors that on average will need to access more than 1 million boe per day or roughly 50% of their current production base to grow in line with expected demand (growth of 6% to 2040).

The group of 30 will need to find nearly two Permian Basins to keep production flat by 2040

Exhibit 2: The Group of 30 Will Need to Find 22 mmboe/d to Maintain Production



Source: Wood Mackenzie, Granite Point Research

Compounding the problem is that many of the oil majors are capital constrained, suggesting that they can't spend their way out of the problem. Pressure to return cash to shareholders in the form of dividends and buybacks coupled with near-term price uncertainty has limited companies' ability to address the upstream challenges. Since 2015, the shareholder base for large oil & gas companies has shrunk and has instead prioritized quarterly earnings and return of capital rather than long-term growth. Investors now expect 30% to 50% of operating cashflow to be returned in the form of dividends or share buybacks. Because capital discipline is what is prized most by their shareholder base many oil & gas companies lack the financial flexibility to spend their way out of the problem.

Ultra-deepwater is expected to account for 60% of planned drilling in 2026 with Africa the primary region of focus. Africa is set to lead global activity accounting for around 40% of planned high-impact exploration wells, driven largely around the Atlantic margin. Exploration is expected to focus on the Orange Basin in Southern Africa and the Gulf of Guinea in West Africa — reinforcing the region's role in high-impact drilling.

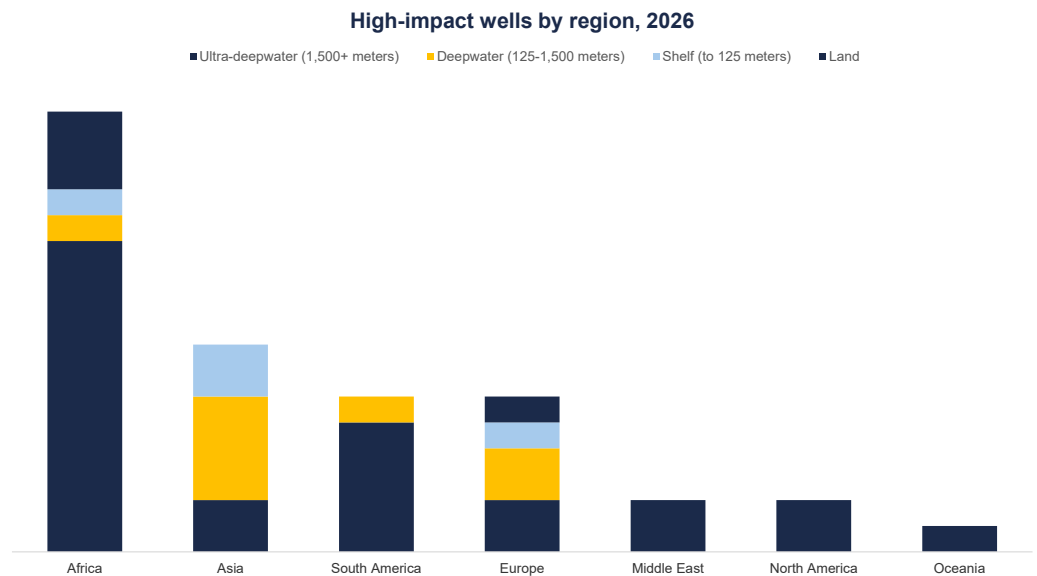
Ultra-deepwater and frontier plays are capital intensive, but they offer scale and large upside at a time when conventional opportunities are scarce. Africa stands out as it offers geological potential with the prospect of meaningful commercial discoveries.

West Africa has become a focus area recently as geological similarities between Africa's undeveloped west coast and huge productive basins on the other side of the Atlantic Ocean hold the promise of massive discoveries. South America and Africa are geological twins bounded by a shared geological history with multiple discoveries in West African margin mirroring successes in eastern South America, particularly Brazil. Since 2020, 11% of the oil and gas discovered or some 8.7 billion barrels of oil equivalent (boe) has been found throughout West Africa. TotalEnergies has been the most active international company in West Africa signing production sharing contracts in Congo Brazzaville, Nigeria and Liberia in September 2025.

“Africa stands out because it still combines geological potential with the prospect of large, commercially meaningful discoveries, particularly for operators looking to secure long-life resources in a tightening global supply environment.”

Aatisha Mahajan, Head of Exploration, Oil & Gas Research, Rystad Energy

Exhibit 3: High Impact Wells by Region (2026) – Africa Leads the Way

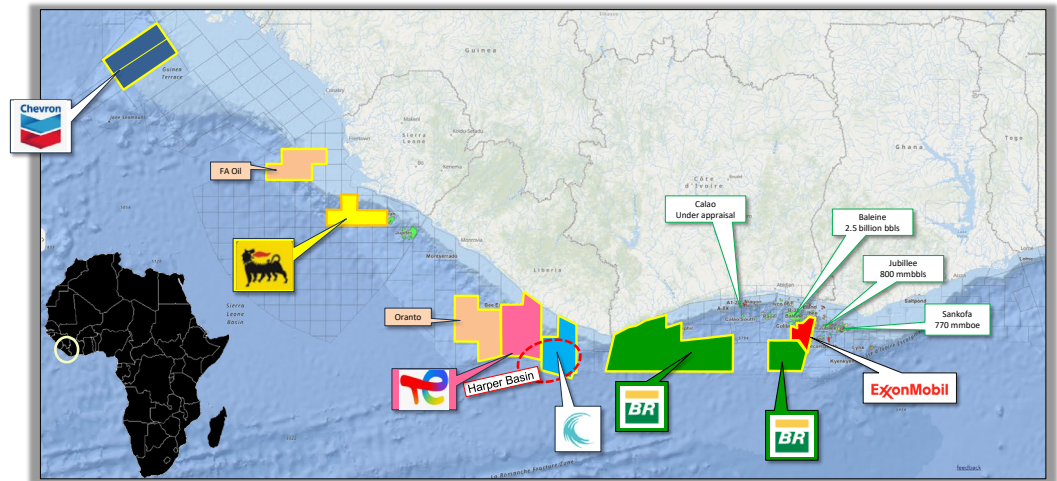


Source: Rystad Energy, Granite Point Research

Liberia has emerged as a new frontier attracting the interest of super majors for its geological prospectivity. The Liberian government is focused on positioning Liberia as an emerging petroleum destination. To that end the Liberian Petroleum Regulatory Authority (LPRA) recently secured high-level technical and institutional backing from the United States government and key international financial institutions. The U.S. backing amounts to a strategic vote of confidence that is particularly important in the global petroleum industry. Investor confidence hinges heavily of transparency, governance and regulatory systems — all signs that Liberia is aligning with global best practices.

Many of the world’s largest oil and gas companies have been flocking to the West African Transform Margin in search of outsized opportunities.

Exhibit 4: 2025/2026 – New Entrants Along the West African Transform Margin



Source: Company reports

BluEnergies is the only junior publicly listed company in offshore Liberia making it truly unique in a land of giants. The Company’s partnership with TotalEnergies also derisks the opportunity substantially and highlights the attractiveness of its license area.

BluEnergies (covered by GPR) is the only junior public company with pure play exposure to one of the last remaining deepwater fan plays in Africa and we view BluEnergies as being extremely well-positioned for dramatic growth.

Exhibit 5: BluEnergies Is Truly Unique as a Junior in a Land of Giants in Offshore Africa

| Ticker | Company | Mkt Cap (US\$m) | Share Price (US\$) | Target Price (US\$) | Upside to Target | EV/EBITDA X | P/CF | FCF (\$mm) | Net Debt/ EBITDAX | RLI (years) | RRR |
|----------|-------------------|-----------------|--------------------|---------------------|------------------|-------------|-------|------------|-------------------|-------------|------|
| BLU-TSX | BluEnergies Ltd.* | 107.8 | \$1.47 | \$3.44 | 134.0% | #N/A | #N/A | (1) | #N/A | #N/A | #N/A |
| CVX-US | Chevron | 409,353 | \$205.15 | \$199.13 | -2.9% | 10.39x | 8.33x | 16,817 | 0.98x | 5.7 | 158% |
| ENH-IT | Eni SpA | 81,208 | \$26.82 | \$25.04 | -6.6% | 6.30x | 3.74x | 5,223 | 1.53x | 6.1 | 162% |
| XOM-US | ExxonMobil | 680,266 | \$163.26 | \$155.24 | -4.9% | 10.95x | 9.97x | 23,612 | 0.58x | 7.2 | #N/A |
| PBR-BUE | Petrobras | 124,008 | \$20.91 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A |
| Shel-LON | Shell | 259,020 | \$45.90 | \$45.09 | -1.8% | 5.59x | 5.28x | 21,768 | 0.79x | 5.3 | 40% |
| TTE-FR | TotalEnergies | 194,633 | \$88.94 | \$85.63 | -3.7% | 6.05x | 5.08x | 10,390 | 0.82x | #N/A | 116% |

Note: * GPR provides equity research coverage to BluEnergies; USD unless otherwise noted

Source: FactSet, Granite Point Research

We initiated coverage ([view report](#)) on BluEnergies Ltd.¹ (BLU – TSXV, BLUGF – OTCQX) in March 2026 with a Buy rating and a C\$4.75 price target. As the only junior public company with

¹See pages 7-8 for important research disclosures

pure play exposure to one of the last remaining deepwater fan plays in Africa, we view BluEnergies as being well positioned for dramatic growth. The Company's partnership with TotalEnergies represents a tremendous vote of confidence in the Harper Basin and BluEnergies itself. We believe that on the Company's license area there is a multi-billion-dollar boe prospective resource potential.

In deriving our price target for BluEnergies we focused on total risked NAV for BLU, which includes full value for the prospective recoverable resource (P50). We have risked this upside potential by 7.25%, which represents the product of its chance of discovery, which was 24% on a weighted average basis across the identified field leads and a 30% chance of development. The product of the chance of discovery and the chance of development is the chance of commercial success.

Exhibit 6: BluEnergies Risked Net Asset Value

| Prospective Recoverable Resource (P50) | | | | | | | | |
|--|----------------|--------------|--------------|----------------------|-----------------|--------------------------------|-----------------|-------------------------------|
| Leads | Field Interest | Oil mmbbl | Nat Gas bcf | BOE boe ¹ | Unrisked | | Risked | |
| | | | | | Unrisked US\$MM | Risk Factor CoC % ² | Risked US \$MM | Risked C\$/share ³ |
| Neptune | 35% | 921 | 1,488 | 1,169 | | | | |
| Apollo | 35% | 456 | 737 | 579 | | | | |
| Saturn | 35% | 174 | 280 | 221 | | | | |
| Diana | 35% | 145 | 233 | 183 | | | | |
| Thea | 35% | 116 | 187 | 147 | | | | |
| Zeus | 35% | 106 | 171 | 134 | | | | |
| Total Net BOE | | 1,917 | 3,095 | 2,433 | \$3,662 | 7.25% | \$265.49 | \$4.67 |
| Price Target | | | | | | | | \$4.75 |

Should the chance of commerciality improve to 50% BluEnergies' stock could be worth more than \$33 per share.

Notes:

1. Based on net unrisked prospective resource potential from a resource estimate prepared by Sinclair Petroleum Engineering
2. Chance of Commerciality is the product of the chance of discovery and chance of development; CoC = CoDis x CoDev = 7.25%
3. Based on 78.65 million fully diluted shares outstanding

Source: Company reports, Granite Point Research

We note that the chance of development could move materially higher as the partnership with TotalEnergies develops and these blocks are de-risked.

We note that these play types typically have exploration success rates of over 50%

Target price sensitivity to the chance of commercial success (CoC): There is considerable upside to our target price as either the chance of commercial success or the level of recoverable resources improves. Our sensitivity table below shows various levels of prospective resource levels ranging from 500 to 6,000 million boe and varying chances of commercial success.

Exhibit 7: There Is Significant Upside Potential for BluEnergies' Stock

| Recoverable Resources (mmboes) | Chance of Commerciality | | | | | | | | | | | | | | | | | | | |
|--------------------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 5% | 10% | 15% | 20% | 25% | 30% | 35% | 40% | 45% | 50% | 55% | 60% | 65% | 70% | 75% | 80% | 85% | 90% | 95% | 100% |
| 500 | \$0.66 | \$1.32 | \$1.98 | \$2.64 | \$3.31 | \$3.97 | \$4.63 | \$5.29 | \$5.95 | \$6.61 | \$7.27 | \$7.93 | \$8.59 | \$9.26 | \$9.92 | \$10.58 | \$11.24 | \$11.90 | \$12.56 | \$13.22 |
| 1,000 | \$1.32 | \$2.64 | \$3.97 | \$5.29 | \$6.61 | \$7.93 | \$9.26 | \$10.58 | \$11.90 | \$13.22 | \$14.54 | \$15.87 | \$17.19 | \$18.51 | \$19.83 | \$21.16 | \$22.48 | \$23.80 | \$25.12 | \$26.45 |
| 1,500 | \$1.98 | \$3.97 | \$5.95 | \$7.93 | \$9.92 | \$11.90 | \$13.88 | \$15.87 | \$17.85 | \$19.83 | \$21.82 | \$23.80 | \$25.78 | \$27.77 | \$29.75 | \$31.73 | \$33.72 | \$35.70 | \$37.68 | \$39.67 |
| 2,000 | \$2.64 | \$5.29 | \$7.93 | \$10.58 | \$13.22 | \$15.87 | \$18.51 | \$21.16 | \$23.80 | \$26.45 | \$29.09 | \$31.73 | \$34.38 | \$37.02 | \$39.67 | \$42.31 | \$44.96 | \$47.60 | \$50.25 | \$52.89 |
| 2,500 | \$3.31 | \$6.61 | \$9.92 | \$13.22 | \$16.53 | \$19.83 | \$23.14 | \$26.45 | \$29.75 | \$33.06 | \$36.36 | \$39.67 | \$42.97 | \$46.28 | \$49.58 | \$52.89 | \$56.20 | \$59.50 | \$62.81 | \$66.11 |
| 3,000 | \$3.97 | \$7.93 | \$11.90 | \$15.87 | \$19.83 | \$23.80 | \$27.77 | \$31.73 | \$35.70 | \$39.67 | \$43.63 | \$47.60 | \$51.57 | \$55.53 | \$59.50 | \$63.47 | \$67.44 | \$71.40 | \$75.37 | \$79.34 |
| 3,500 | \$4.63 | \$9.26 | \$13.88 | \$18.51 | \$23.14 | \$27.77 | \$32.40 | \$37.02 | \$41.65 | \$46.28 | \$50.91 | \$55.53 | \$60.16 | \$64.79 | \$69.42 | \$74.05 | \$78.67 | \$83.30 | \$87.93 | \$92.56 |
| 4,000 | \$5.29 | \$10.58 | \$15.87 | \$21.16 | \$26.45 | \$31.73 | \$37.02 | \$42.31 | \$47.60 | \$52.89 | \$58.18 | \$63.47 | \$68.76 | \$74.05 | \$79.34 | \$84.62 | \$89.91 | \$95.20 | \$100.49 | \$105.78 |
| 4,500 | \$5.95 | \$11.90 | \$17.85 | \$23.80 | \$29.75 | \$35.70 | \$41.65 | \$47.60 | \$53.55 | \$59.50 | \$65.45 | \$71.40 | \$77.35 | \$83.30 | \$89.25 | \$95.20 | \$101.15 | \$107.10 | \$113.05 | \$119.00 |
| 5,000 | \$6.61 | \$13.22 | \$19.83 | \$26.45 | \$33.06 | \$39.67 | \$46.28 | \$52.89 | \$59.50 | \$66.11 | \$72.72 | \$79.34 | \$85.95 | \$92.56 | \$99.17 | \$105.78 | \$112.39 | \$119.00 | \$125.61 | \$132.23 |
| 5,500 | \$7.27 | \$14.54 | \$21.82 | \$29.09 | \$36.36 | \$43.63 | \$50.91 | \$58.18 | \$65.45 | \$72.72 | \$80.00 | \$87.27 | \$94.54 | \$101.81 | \$109.09 | \$116.36 | \$123.63 | \$130.90 | \$138.18 | \$145.45 |
| 6,000 | \$7.93 | \$15.87 | \$23.80 | \$31.73 | \$39.67 | \$47.60 | \$55.53 | \$63.47 | \$71.40 | \$79.34 | \$87.27 | \$95.20 | \$103.14 | \$111.07 | \$119.00 | \$126.94 | \$134.87 | \$142.80 | \$150.74 | \$158.67 |

Source: Granite Point Research

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| RATING | COVERED COMPANIES |
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