

APA Corporation - The Block 58 Gate

Internal ID: S&F-STR-058

Topic: Capital Allocation, Corporate Strategy

Industry: Oil & Gas Exploration & Production

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 31 July 2024

Decision scope: APA's position on the proposed Block 58 development timetable

Case convention: This is an author-created strategy exercise. Historical disclosures are attributed; the assignment and alternatives are hypothetical. It does not represent private board deliberations.

The decision

On 31 July 2024, APA Corporation said it remained on track with TotalEnergies for a final investment decision (FID) on Suriname's Block 58 by year-end and first oil in 2028. TotalEnergies, the block operator, had secured a hull for a proposed floating production, storage and offloading vessel designed for 200,000 barrels per day. [S1](#), pp. 2-3.

The project had reached a visible milestone, but important questions remained. The partners were still advancing front-end engineering and design. A 900-square-kilometre ocean-bottom-node (OBN) seismic campaign was planned for the second half of 2024. The partners described more than 700 million barrels of combined recoverable resources at Sapakara and Krabdagu; APA cautioned that "resources" and similar terms were not proved reserves and did not establish future recovery. Staatsolie, Suriname's state oil company, had an option to take up to a 20% interest in the development at FID. [S2](#), project update; [S3](#), cautionary note.

APA and TotalEnergies each held a 50% working interest, but APA's disclosed funding arrangement was not an equal cash split. TotalEnergies paid a larger share of early development costs on APA's behalf; those excess payments were recoverable through hydrocarbon participation. The exact recovery waterfall and timing were not disclosed in the public summary. [S4](#), Block 58 joint-venture terms.

APA therefore faced a question it could not answer by pointing to the timetable alone: should it support the partners' stated year-end FID target, or seek agreement with TotalEnergies and the other partners to defer sanction until more technical and commercial evidence was available?

Assignment: Recommend one course. Identify the evidence APA should require before committing, explain how the carry and Staatsolie option affect the choice, and state what delay could cost the partnership. Use only information available by 31 July 2024. Any proposed conditions, process or decision role in this case are hypothetical.

A project taking shape

Block 58 lies offshore Suriname. TotalEnergies operated the block; APA was its 50% partner. In September 2023 the companies described a 200,000-barrel-per-day oil hub concept at Sapakara and Krabdagu and launched FEED. TotalEnergies gave an approximate \$9 billion gross investment estimate at that early stage. It was not a sanctioned project budget. [S4](#); [S5](#).

By June 2024, the partners said FEED was progressing and expected FID in the fourth quarter of 2024, with first production targeted for 2028. Their combined recoverable-resource estimate had grown above 700 million barrels. They said planned OBN seismic would improve reservoir understanding and support well placement. Staatsolie could elect to take up to 20% in the development upon FID. [S2](#). The public announcements did not give the election's final terms, an updated sanctioned cost estimate, or a full production and cash-flow forecast.

The resource estimate mattered, but so did its limits. The partners' figure was gross and covered the two discoveries together. It was not APA's net entitlement or a proved reserve booking. APA's own disclosure warned that resource estimates depend on exploration success, technical improvement, commerciality and other factors. [S2](#); [S3](#).

Exhibit 1. Block 58: reported position at the cutoff

Item	Publicly reported position by 31 July 2024
Operator and interests	TotalEnergies operator; APA 50% working interest S4
Proposed development	Sapakara/Krabdagu oil hub; 200,000 b/d FPSO concept S2
Project status	FEED progressing; partners targeting FID by year-end 2024 [S1-S2]
Timing target	First oil in 2028 [S1-S2]
Resource estimate	More than 700m barrels, combined recoverable resources; not proved reserves or APA net entitlement [S2-S3]
Remaining subsurface work	900 km ² OBN campaign planned for H2 2024 S2
State participation	Staatsolie option to enter with up to 20% at FID; election and final terms unknown S2
Earlier gross cost estimate	Approximately \$9bn in September 2023, before FID and without an updated public estimate by cutoff S5

All project characteristics and targets are attributed partner or company disclosures. "Target" does not mean approved or assured.

What the cost-sharing agreement changes

APA's 2023 Form 10-K described an escalating cost-sharing arrangement. TotalEnergies paid the following shares of gross development capex, with APA paying the balance: 87.5% of the first \$10bn, 75% of the next \$5bn, and 62.5% above \$15bn. TotalEnergies' excess payments on APA's behalf were recoverable through hydrocarbon participation. APA also disclosed a \$75m payment at first oil and possible contingent royalty payments. The public filing did not detail the recovery waterfall, timing or all joint operating agreement governance rights. [S4](#), Item 1, Suriname / Block 58.

That structure could reduce APA's near-term cash share compared with a simple 50/50 split. It also affects APA's later share of project hydrocarbons as the carry is repaid. The State's potential participation could further change the project's interest and funding allocation, but the public option summary did not specify final terms. Students should not assume the 50% working interest equals 50% of gross capex or that the cost carry is free funding.

APA had also disclosed project-progression spending. In February, its 2024 upstream budget plan included \$50m toward progressing a large-scale Suriname FPSO project. For the first half of 2024, its July supplement reported \$6m in Q1 and \$25m in Q2 of Suriname upstream capital investment, or \$31m in total. These figures use different descriptions and do not establish that the entire \$50m plan was spent, a remaining balance, or approved development capex. [S6](#), 2024 capital budget; [S7](#), pp. 17-18.

APA reported \$421m in Suriname capitalized exploratory-well costs that remained suspended for more than one year at 31 December 2023. Its Q1 2024 filing also said about \$51m of previously suspended costs were charged to dry-hole expense in Q1, but did not identify the geography. The \$51m cannot be subtracted from or used to restate the earlier Suriname amount. Neither figure is a Block 58 development budget or a future obligation to sanction. [S4](#), Note 1; [S8](#), Note 3.

The wider portfolio

APA completed its all-stock acquisition of Callon Petroleum on 1 April 2024. In July it described the integration as proceeding ahead of schedule and raised its annual cost-synergy estimate to \$250m. APA also had operating and capital programmes in the United States, Egypt and the North Sea, alongside exploration positions in Alaska and Uruguay. [S1](#), pp. 1-2; [S8](#).

The Q2 supplement showed \$6.743bn of total debt, \$160m cash in its net-debt reconciliation and \$6.583bn net debt at 30 June. It reported \$1.245bn of first-half net cash from operating activities and \$202m of first-half free cash flow. APA's free-cash-flow and net-debt measures were non-GAAP; free cash flow began with cash flow before working-capital changes. APA returned \$311m through dividends and repurchases during the first half. These company-wide figures inform portfolio context; they do not show cash reserved for Block 58. [S7](#), pp. 17, 27-30.

APA reported \$839m of company-wide upstream capital investment for Q2 and expected full-year capital at or below \$2.7bn. Neither figure was a Block 58 allocation. Suriname's reported first-half upstream investment was \$31m, as shown in Exhibit 2. [S1](#), p. 2; [S7](#), p. 18.

Exhibit 2. APA capital and liquidity context

USD millions; company-wide unless stated otherwise.

Measure	Reported value	Period / definition
Suriname upstream capital investment	31	H1 2024: Q1 6; Q2 25 S7
Q2 upstream capital investment	839	Three months ended 30 June 2024; company-wide S1
FY2024 capital guidance	At or below 2,700	Company-wide upstream capital, as of 31 July S1
Total debt	6,743	At 30 June 2024 S7
Cash in net-debt reconciliation	160	At 30 June 2024 S7
Net debt	6,583	At 30 June 2024; non-GAAP S7
Net cash from operating activities	1,245	H1 2024: Q1 368 plus Q2 877 S1, S8
Free cash flow	202	H1 2024; company-defined non-GAAP measure S7
Shareholder cash returns	311	H1 2024: dividends and share repurchases S7

The company's capital guidance and financial measures are not a project funding commitment. APA's FCF definition and non-GAAP reconciliations appear in the cited supplement.

Regional context

In April 2024, ExxonMobil reported three operating FPSOs in Guyana with capacity above 600,000 barrels per day and said six developments were expected to provide about 1.3 million barrels per day of capacity. Guyana's projects differ in resource base, partners, fiscal terms and timing; the figures provide regional execution context, not a direct comparison with Block 58 economics. **S9**.

The choice

Two courses were available for APA to advocate within its partnership:

- **Support the stated timetable.** Continue toward the year-end FID target, subject to whatever final technical, cost and commercial checks APA considers necessary.
- **Seek agreement to defer.** Ask TotalEnergies and the other partners to move the sanction decision until more technical or commercial information is available. The public record does not establish whether the H2 OBN results would be ready before the target or how a delay would affect the schedule.

Either course requires APA to weigh expected information against schedule and market risks, while accounting for the funding agreement, the possible State election and demands across its portfolio. The case does not provide a final project budget, APA-specific cash-flow forecast or break-even oil price.

Prepare a short recommendation for APA's senior leadership. Explain what would make your preferred course responsible, which evidence is most decision-relevant, and what new information would cause you to change your view.

Questions for discussion

1. What does the current public evidence establish about Block 58 readiness? What remains uncertain at the 31 July cutoff?
2. How should APA evaluate a 50% working interest with asymmetric cost sharing and recovery through hydrocarbon participation?
3. Would the planned OBN survey change your recommendation? What evidence would show that it changes the decision, and will it be available in time?
4. How should APA account for the Staatsolie option and its own portfolio commitments without treating company-wide capex guidance as a Block 58 budget?
5. What should be the threshold for supporting FID, and what delay cost or risk would justify proceeding on schedule?

Sources and conventions

S1. APA, [Second-Quarter 2024 Financial and Operational Results](#), 31 July 2024, SEC Exhibit 99.1, accession 0001193125-24-190833. Printed release pp. 1-5.

S2. TotalEnergies, Staatsolie and APA, [Block 58 progress update](#), 5 June 2024. Partner-reported project status, resource estimate, OBN plan and Staatsolie option.

S3. APA, [Second-Quarter 2024 Financial and Operational Supplement](#), 31 July 2024, p. 2, cautionary note.

S4. APA, [2023 Form 10-K](#), filed 22 February 2024, accession 0001784031-24-000003; Item 1, Suriname / Block 58 (printed pp. 35-37); Note 1, exploratory-well costs (F-20).

S5. TotalEnergies, [Block 58 development concept and FEED announcement](#), 13 September 2023. Preliminary approximate gross investment estimate.

S6. APA, [Fourth-Quarter and Full-Year 2023 Results](#), 21 February 2024, “2024 Capital Budget and Outlook.”

S7. APA, [Q2 2024 Financial and Operational Supplement](#), 31 July 2024; Suriname capital investment p. 18; cash-return summary p. 17; non-GAAP reconciliations pp. 27-30.

S8. APA, [Q1 2024 Form 10-Q](#), filed 2 May 2024, accession 0001784031-24-000008; consolidated cash-flow statement p. 3; Note 3, capitalized exploratory well costs p. 9.

S9. ExxonMobil, [Sixth oil development offshore Guyana](#), 12 April 2024.

All values are reported or explicitly attributed. The \$50m Suriname allocation was a plan for project progression; \$31m was reported Suriname upstream investment for H1. No subtraction is used to infer unspent funds. APA’s net debt and free cash flow are non-GAAP measures. No source published after 31 July 2024 is used.