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NEWS THIS WEEK...

Under-explored

Opportunities in Africa exist in under-explored areas, as can be seen by the finds in Uganda and Ghana. Simba Energy hopes that its onshore holdings can result in similar discoveries.

■ **Simba has signed deals in Kenya and Guinea recently, and has great expectations for Liberia, Ghana and Mali.** *(Page 2)*

■ **Tullow's successes have come from progress in Uganda and Ghana, which had been overlooked until relatively recently. The company is working on a new FPSO plan in Ghana and is aiming for Ugandan production by 2015.** *(Page 8)*

Sinai tensions

Egypt and Israel's relationship has become tenser of late, on rising militancy and export woes.

■ **Problems have arisen in the aftermath of the new Egyptian government and increased populist pressure.** *(Page 5)*

Eni and the TNC

The Italian company has struck a deal to begin working with the TNC, even as fighting continues. *(Page 10)*

For analysis and commentary on these and other stories, plus the latest oil and gas developments, see inside...

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COMMENTARY

Simba to ramp up exploration

The Canadian-listed minnow intends to begin exploration in a number of states as it seeks to exploit under-explored African opportunities

By Ed Reed

- Simba has signed deals in Kenya and Guinea recently
- The company hopes to sign up partners for Kenya and Mali
- Exploration should begin in early 2012 and onshore production in Liberia could be relatively swift

Simba Energy has had a busy summer, signing a production-sharing contract (PSCs) in Kenya and buying a stake in a Guinean block, while negotiating PSCs in Liberia, Ghana and Mali. The time has come, though, for the company to switch from hunting down opportunities to carrying out exploration, Simba's consultant, Hassan Hassan, told *AfrOil*.

The company announced the Guinean deal on July 27 and the award of the Kenyan PSC, for Block 2A, on August 3.

The story of Simba begins with the acquisition of International Resource Strategies Liberia Energy (IRSLE) in January 2009, which was founded by Hassan.

Liberia

Simba holds the first licence to be granted for hydrocarbons exploration onshore in Liberia, NR-001, which has

come to prominence recently over large-scale plans for offshore work. The block covers 1,300 square km and there are a number of oil seeps. Hassan said the seeps were volatile 40-50 API condensate.

"We signed the first ever hydrocarbon reconnaissance permit in Liberia," Hassan said. Before the award of the licence, "there was no legal framework for issuing onshore petroleum contracts." Simba is in the process of negotiating for a PSC with the Liberian government – although this process is taking some time, as previously there were no legal terms in place for such talks.

The Liberian government has recently completed creating the law for onshore PSCs, he continued, and one is expected to be issued and ratified shortly.

There was a shortage of Liberian administrative capacity initially, Hassan

said, but substantial progress has been made subsequently. "They've just changed the board of the National Oil Company of Liberia (NOCAL), [and] they've brought in energy experts. The government has been really easy to work with, very accommodating and investment-friendly," Hassan continued.

"We're anxious to finish [negotiating the PSC,] as we want to go in there and shoot seismic as fast as we can."

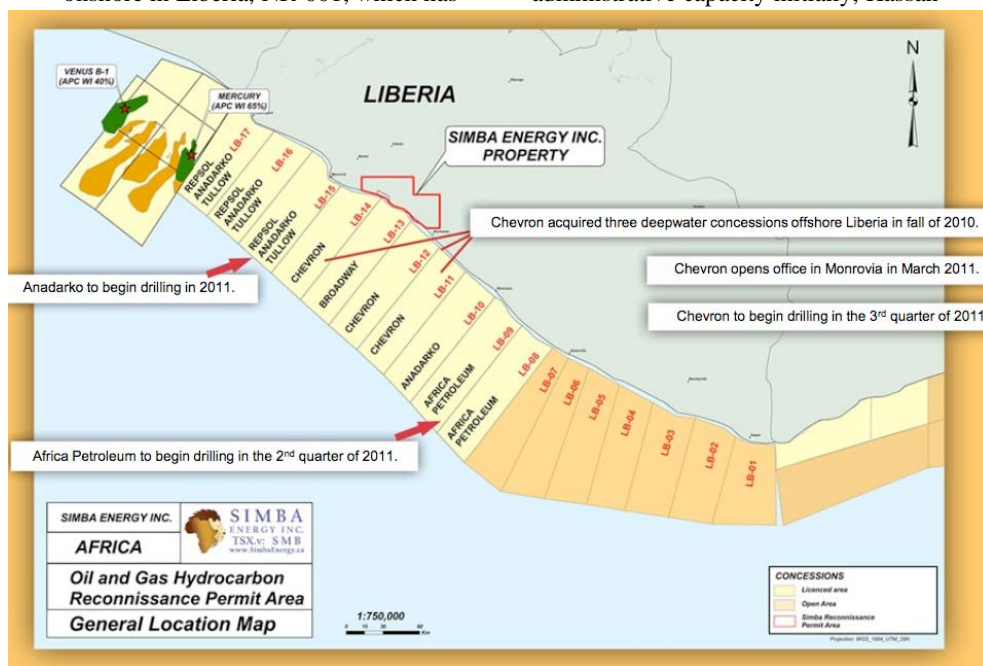
The company intends to shoot 125-150 line km of seismic and an amount of passive seismic. "We know roughly where we want to put the seismic lines and we may get to do that early [in 2012]," Hassan said. "There's some definite structures there that we'd like to look at more closely, which is why we're going to shoot seismic."

Following seismic, which should not take long, Simba intends to move quickly into drilling. "We're hoping to drill as soon as we can – and hit oil, of course – but the minute we hit oil we'll have to build all the infrastructure needed, but we think there's enough oil there to justify it."

He went on to say: "No one has ever done anything like this in Liberia before, so it's completely frontier, pioneering work."

Guinea

Simba signed a deal with Poland's Summa Energy for two onshore blocks, 1 and 2, in the Bove Basin. The Canadian-listed company said it would cover all work costs for the first year, after which this would fall to 60%, in line with its stake. The two blocks cover 12,000 square km. ►►



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COMMENTARY

The deal was signed last month and approval from the government is due shortly. As soon as the transaction is approved, Simba is to ratchet up work in Guinea “in a big way,” Hassan said, and the government is very investor-friendly.

“Guinea is a lot more advanced than Liberia, in the sense that there is an onshore petroleum legal framework and there is historical seismic and drilling,” Hassan said, noting that the challenge, though, was in chasing down the information, much of which was acquired by the USSR.

“We’ve had people in Guinea since May and we’ve located some of the geologists who worked on those old wells and were involved in the seismic, so we’re collecting all the data and we’re hoping to put it into a dataroom by mid-September or mid-October,” he said.

The company is to spend US\$500,000 in the first year, the consultant said, and work may include an environmental baseline study. “We will have to reprocess the existing data, we will probably do a very extensive search for oil seeps over the whole area. We might start a little passive seismic as well, but overall we’re going to wait until we’ve got all the existing data gathered together and analysed.”

Describing Simba’s Liberian block as elephant country, Guinea “looks like a herd of elephants.” Guinean exploration is high-risk but the reward could be “incredible,” he said.

Responding to concerns on Guinea’s political environment, given a recent attack on Guinean President Alpha Conde, Hassan said that while such events were a concern, the region’s focus was on a move towards democracy.

“It’s a country that’s gone from a president wearing a uniform to a president wearing a suit. We’re only in countries where presidents wear suits,” Hassan said, going on to explain that a number of companies were now working there, such as Vale.

Hyperdynamics is planning to drill a well in October in Guinea’s offshore and has recently exercised an option for a second. While success offshore might

reassure investors in Simba, the geology is not believed to be similar.

Kenya

Simba received a PSC for a Kenyan area, Block 2A, early this month. The award covers 7,800 square km in northeast Kenya and is on the border with Somalia, between Block 1 to the north and Block 2B to the south.

Hassan said seismic had been shot in the area in the 1980s by one of the majors and that there were similarities to the Albertine Graben in Uganda, where Tullow Oil claims to hold a resource of 2.5 billion barrels. Some drilling was carried out on Block 2A but hit nothing.

The area is under-explored, the Simba official said, with only around 40 wells having been drilled in all of Kenya. The majors did not leave Kenya because of the geology, Hassan said.

The first focus for Simba will be to carry out an environmental study on the area and to gather existing data.

“The block includes areas in the Anza and the Mendera Basin. The two basins mean we have two completely different chances to find hydrocarbons – and we think two excellent chances,” Hassan said.

The amount of work planned for onshore Kenya is substantial, with Simba’s neighbours acquiring a large amount of seismic. Afren and Lion are to shoot 1,200 km of seismic on Block 1, starting in September, with Lion planning another 515 km in Block 2B.

The move into Kenya is strategic, Hassan said, and in line with the company’s strategic model. The country is “overlooked, under-explored and with great potential ... we’re hoping to attract a world-class partner to work with us.”

Ghana, Mali

Simba hopes to sign a PSC on Block 3 in Mali “very shortly,” Hassan said. Eni holds a block to the east and the Italian company acquired a substantial amount of seismic on Block 3, finding “lots of structures.”

Total has the area to the west of Simba’s targeted block and indications

there are strong.

Simba also plans to sign a PSC on an onshore area in Ghana, where “we think we’ve found something fantastic,” although Hassan declined to give further details. “When it works out we think it’ll be huge – and nobody will expect it.”

Partnerships

Just as in Kenya, Simba hopes to bring in a partner to work on the Mali asset. The company will carry out more work on Liberia and Guinea before making a decision and Hassan appeared confident that work would proceed with a partner or without.

In Liberia, he said, “We know how to drill cheap, we don’t have much seismic to shoot and the government is very encouraging of us. Unlike the offshore of Liberia, where you need US\$60-100 million to drill a well, we can do the whole thing for US\$10 million, seismic, drilling, everything. Maybe less.”

The situation in Guinea is similar, with Simba content to firm up its view of the area and begin a limited work programme before committing to a partnership.

The fact that Simba signed two deals in a week – on Guinea and Kenya – has demonstrated to the company’s investor base that it can deliver on its promises, Hassan said.

“Part of our strategy is to bring in more partners to lower our financial risk and our overall portfolio risk. It’s now a question of closing the PSCs and beginning the work programmes,” Hassan said.

The amount of assets signed up or on the verge of being delivered is enough for Simba to move from hunting these opportunities to focusing on exploration and development. However, Hassan allowed that the company would still be interested in acquiring production, which would provide cash flow and reduce its need to carry out further dilutive raisings.

Simba is to ratchet up its exploration activities in spring 2012 and, Hassan said, within two years he hopes to be celebrating the production of Liberia’s first onshore oil. ■