

# West Africa's sleeping giant stirs

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Commercial discoveries of oil could transform Liberia's economic prospects

With an active exploration programme underway offshore, Liberia is now taking its place alongside more established provinces of West Africa, which has emerged as one of the more exciting hydrocarbons frontiers of recent years.

Interest in Liberia's offshore reserves was sparked in 2009 by the Venus discovery in neighbouring Sierra Leone, which appeared to confirm a new oil frontier.

Under the aegis of the National Oil Company of Liberia (NOCAL), the authorities are looking to match the offshore potential of the country's neighbours. Over the last few years, Liberia's 17 offshore blocks have attracted a range of players, from the established majors – ExxonMobil, Chevron, Repsol and Eni – through to pace-setting independents like Australia-based African Petroleum Corporation, which was the first company to drill in a Liberian basin.

African Petroleum holds a 100 per cent interest in Blocks LB-08 and LB-09, acquired in 2005 and which cover an area of approximately 5,351km<sup>2</sup>. In 2011, it drilled the first ever deepwater well offshore Liberia, the Apalis-1, confirming that its blocks are located in a prospective oil basin.



The Maersk Deliverer rig, used by African Petroleum to drill the Apalis-1 and Narina-1 wells in Block LB-09, offshore Liberia

Last year was an active year for African Petroleum, with the Narina-1 discovery in Liberia sitting alongside the acquisition of its other exploration blocks in Senegal, Sierra Leone and Côte d'Ivoire.

This year started with a bang, with the drilling of the high potential Bee Eater prospect in Liberia LB-09 on 4th January. The Bee Eater-1 well is located 9.5km north-west of the Narina discovery. According to African Petroleum CEO Karl Thompson, the success of the Bee Eater-1 indicates that the oil play discovered in Narina-1 extends over a large area and further technical and drilling will be undertaken to confirm this.

African Petroleum has been the spearhead of Liberia's exploration, explains Thompson, "We opened up the basin and proved the petroleum system which has proven to be a viable oil province, now we are moving forward with extensive exploration drilling."

The company is looking for partners to join in its exploration activities and has held discussions with state-owned PetroChina over an investment in Blocks LB-08 and LB-09; the Chinese company would provide funding for additional drilling.

"The Liberian deep water is at an early stage; it has not been drilled before and is now a prospective basin with similar hydrocarbon potential to that seen in Côte d'Ivoire and Ghana. However, Liberia has seen less than 10 per cent of the exploration wells drilled in these neighbouring countries and the early results indicate the future should be very promising," says Thompson.

African Petroleum may have been the spearhead for Liberia's E&P programme, but it is one of a number of companies that are active offshore.

US-based independent Anadarko Petroleum is the only other company to have drilled offshore Liberia to date, since when Spain's Repsol and UK-based Tullow Oil have taken over over Anadarko's equity stake in LB-16 and LB-17, raising their respective 27.5 per cent and 25 per cent stakes in the two blocks on a pro rata basis.

Italy's Eni has joined with US major Chevron to explore three deepwater licenses offshore Liberia, in which it will take stakes in Blocks LB-11, LB-12 and LB-14 covering 9,560km<sup>2</sup> in water depths up to 3,000 metres. Chevron remains the operator. Its decision in 2010 to acquire acreage offshore Liberia was pivotal in heating up interest in the country's resource potential.

More recently, Liberia's hydrocarbons sector has been on the receiving end of a significant confidence

boost with the announcement on 11th March 2013 that US supermajor ExxonMobil had acquired an 80 per cent interest in the Block LB-13, previously held by Peppercoast Petroleum. Canadian Overseas Petroleum Ltd will retain a 20 per cent stake in the field, with Exxon having the working interest. The companies are now planning exploration activities in Liberia's offshore.

The presence of Exxon in Liberia suggests a shift in the majors' risk appetite, says Marne Beukes, energy analyst for sub-Saharan Africa at IHS. "It used to be the small-medium companies that made discoveries because they are willing to take chances and then farm out to bigger firms. Competition for the remaining oil/gas potential is such that majors are now more willing to enter countries like Liberia earlier rather than have to wait and pay more for a stake in a proven license."

For Liberia, the benefits of this latest investment from an international oil company include US\$50m in upfront payments in the form of a signature bonus, taxes and fees, as well as equity participation for citizens, royalties, carry-free interests for the state and linkages to local businesses.

There are also provisions for the establishment of a special "Abandonment Fund" for each field placed into production once 50 per cent of the estimated recoverable petroleum has been produced from the field.

Though Anadarko has left Liberia empty-handed, this may be more due to lack of knowledge regarding the geology which differs from country to country in West Africa. But, says Beukes, as more data is collected through seismic and drilling, this will become less of a challenge.

As exploration intensifies, the Liberian authorities will have to give greater attention to regulation and oversight of the country's oil and gas sector. Currently these responsibilities are held by NOCAL. Later this year, the government plans to revise the Petroleum Act to improve governance in the sector. It will also update the fiscal regime to fit international best practice.

Last year, NOCAL for the first time submitted its budget to MPs and commissioned an independent audit of its finances, as part of a

move for greater openness at the state oil company.

"The government seems keen for the future to be transparent and it is heartening that it is already addressing regulatory gaps early in the process, but how long that will take is another matter," says Beukes.

Although there are no plans to offer additional blocks at this time – either the five remaining off-shore blocks 1-5 or the 'ultra-deep' blocks (18-30) on the seaward side of the original 17 offshore blocks – if and when any of them are offered for bid, they will be offered through an open, competitive and transparent bidding process, adhering to international best practices, says NOCAL.

Whether Liberia can match the success of other oil and gas players in the region remains to be seen, but expectation levels are high. The key decider is for commercial discoveries to be made, and not just in small pockets. It is a tough balancing act to pull off, says Beukes: "It will depend on how effectively the government can manage investors and the local population's expectations, by offering attractive terms but also maximising oil revenue, and also how transparently the oil revenue can be managed."

This year will be critical in proving up the potential. With companies like African Petroleum and ExxonMobil moving forward with drilling activities, and potential giants like PetroChina waiting in the wings, there is no lack of interest in Liberia's reserves. The proof, though, will be in the pudding; and the prize is substantial. Commercial discoveries of oil could transform Liberia's economic prospects, and ensure that one of the world's lesser known petroleum plays begins to get some well-deserved attention. **E**

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### Oil companies put back what they take out

**S**ocial investment is critical to the Liberian government's plans for capturing the value added from its hydrocarbons potential. For example, ExxonMobil has made a commitment to provide funds for training, social welfare and education, and most companies pledge to plough resources back into the country.

Even the smaller players are fully signed up to the effort. African Petroleum offers a sizeable social investment and training effort, under which it attempts to absorb as many Liberians as possible into its staff. It also aims to support government's national health and education policies and, as part of this, has partnered with the NGO Sightsavers to provide funding to train 18 cataract surgeons, ophthalmic nurses and ophthalmologists in rural areas, and provided equipment to assist them combat blindness.

As part of its remit to ensure local capacity development it is in partnership with earth sciences and engineering departments across major universities in West Africa including the University of Liberia's Fendall Campus.

Support in this area is centered on building modern geological and geophysical computer labs which provide hardware, technical software and a power generator to ensure learning can occur.

The project aims to improve academic growth, enhance decision making about reproductive health and personal relationships, and to develop leadership skills.

This programme will include academic tutoring, literacy training, employment skills development, reproductive health awareness and leadership development. **E**