

# - Mozambique -

## The Emergence of a Giant in Natural Gas



SPTEC Advisory – 2012 Country Review

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## Introduction

This document is a compilation of press articles published in the year of 2012 and presented in SPTEC Advisory's Oil & Gas daily newsletter.

Some key metrics on Mozambique's natural gas industry and economy are also presented.

In 2012, Mozambique has emerged as a new giant in Natural Gas.

More than 100 Tcf were discovered mainly in the offshore Rovuma Basin.

The Cove Energy takeover by PTTEP, outbidding Shell, has demonstrated the growing attention Oil & Gas companies are giving to Mozambique.

Anadarko, ENI, Petronas, Statoil, Total and Maurel & Prom, already hold significant interests in the country's exploration permits.

SPTEC Advisory has acquired key insights about Mozambique to accompany clients in their successful assessment of this emerging region.

## Available Compilations

- ✓ North Africa (Algeria, Morocco, Tunisia, Egypt)
- ✓ East Africa (Tanzania, Ethiopia, Uganda, Kenya, Sudan)
- ✓ West Africa (Ghana, Gabon, Cameroon, Cote d'Ivoire, Mauritania)
- ✓ Austral Africa (Angola, Namibia, South Africa)
- ✓ Middle East (Kurdistan, Oman, Kuwait, Saudi Arabia, UAE)
- ✓ Nigeria
- ✓ Iran
- ✓ Iraq

Compilations can be requested through [contact@sptec-advisory.com](mailto:contact@sptec-advisory.com)

## Key Quotes

“This could be one of the most important natural gas fields discovered in the last ten years, with significant long-term benefits for Mozambique.” *Jim Hackett, Anadarko Executive Chairman*

“Mozambique could become the world's third largest exporter of liquefied natural gas (LNG), an Anadarko Petroleum Corp. executive told attendees at the Mayer Brown Seventh Annual Global Energy Conference in Houston” - *Rigzone, May 23*

“A few years ago governments in East Africa would practically pay companies to come and explore for oil or gas on their territory. Those days are gone.” - *Reuters, November 02*

“Foreign operators in Mozambique will have a new tax applied to their operations. The government is enacting a 32% tax on the future sale of local assets. The new tax comes as the country emerges as a significant holder of coal and natural gas reserves and Mozambique seeks to take reap greater rewards from those resources.” - *Petroleum Africa, December 20*

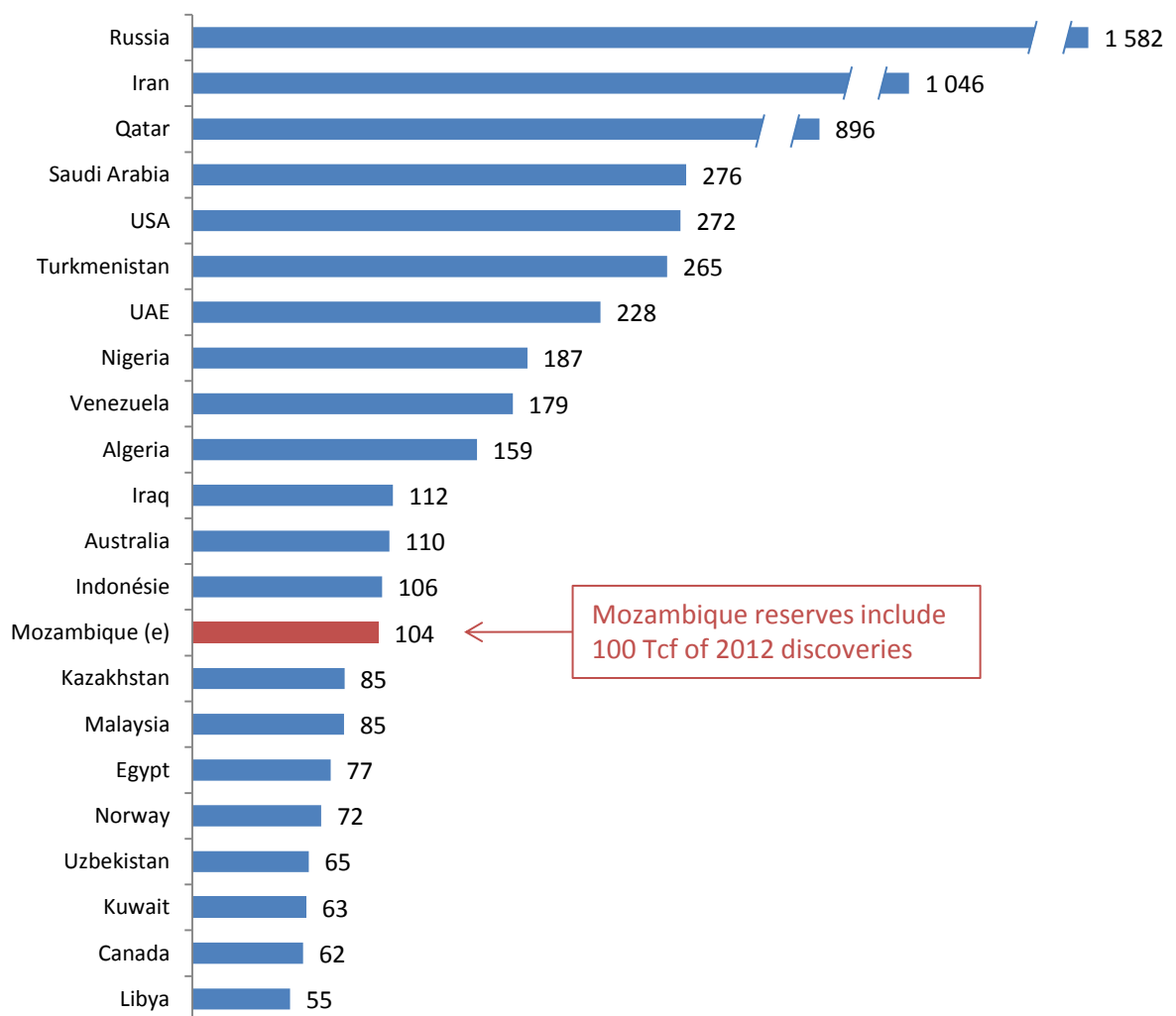
“Japan and Mozambique have signed a MoU aimed at supplying energy to the Asian country. The deal will allow Japan to tap the African country's natural resources to replace nuclear energy as its main power driver.” - *Petroleum Africa, October 31*

## Natural Gas Reserves Estimates

In 2012, operators in Mozambique have announced as much as 100 Tcf of natural gas discoveries.

This will position Mozambique as a major player in the sector over the next decades.

**Proven Natural Gas Reserves (Tcf)**

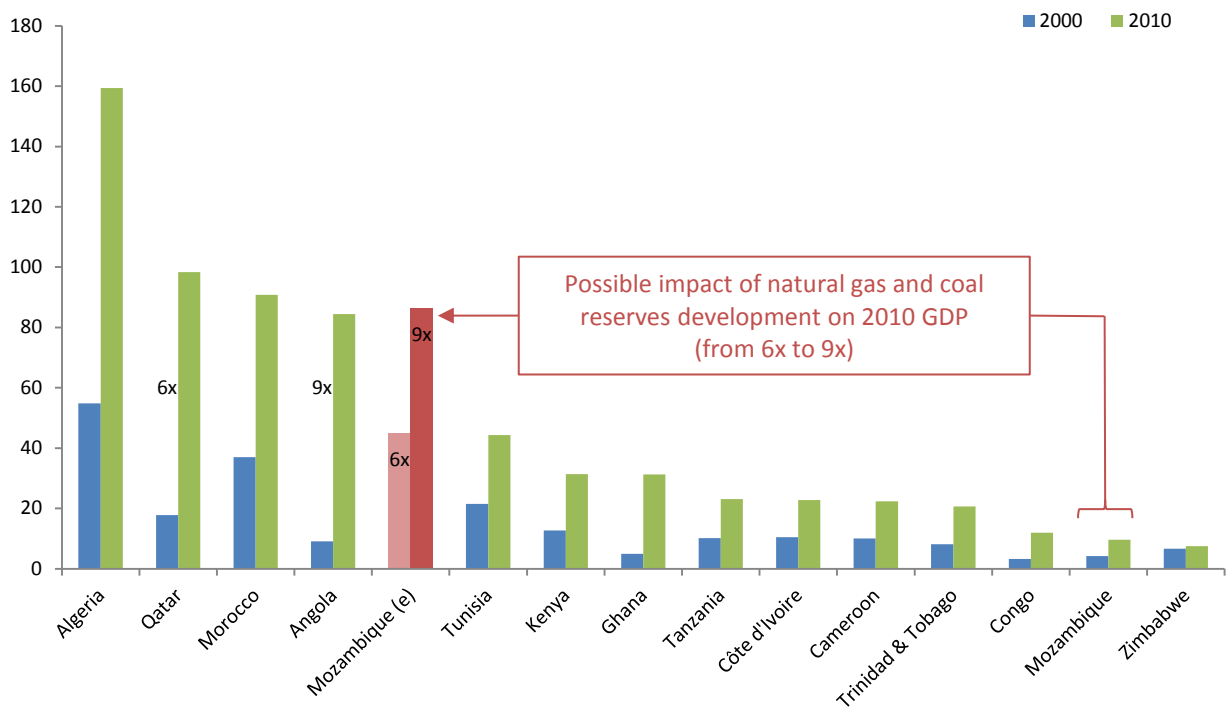


Source: OPEC-CIA Factbook and SPTEC Advisory estimates  
Reserves as of 31/12/2011

## Possible Impact on GDP

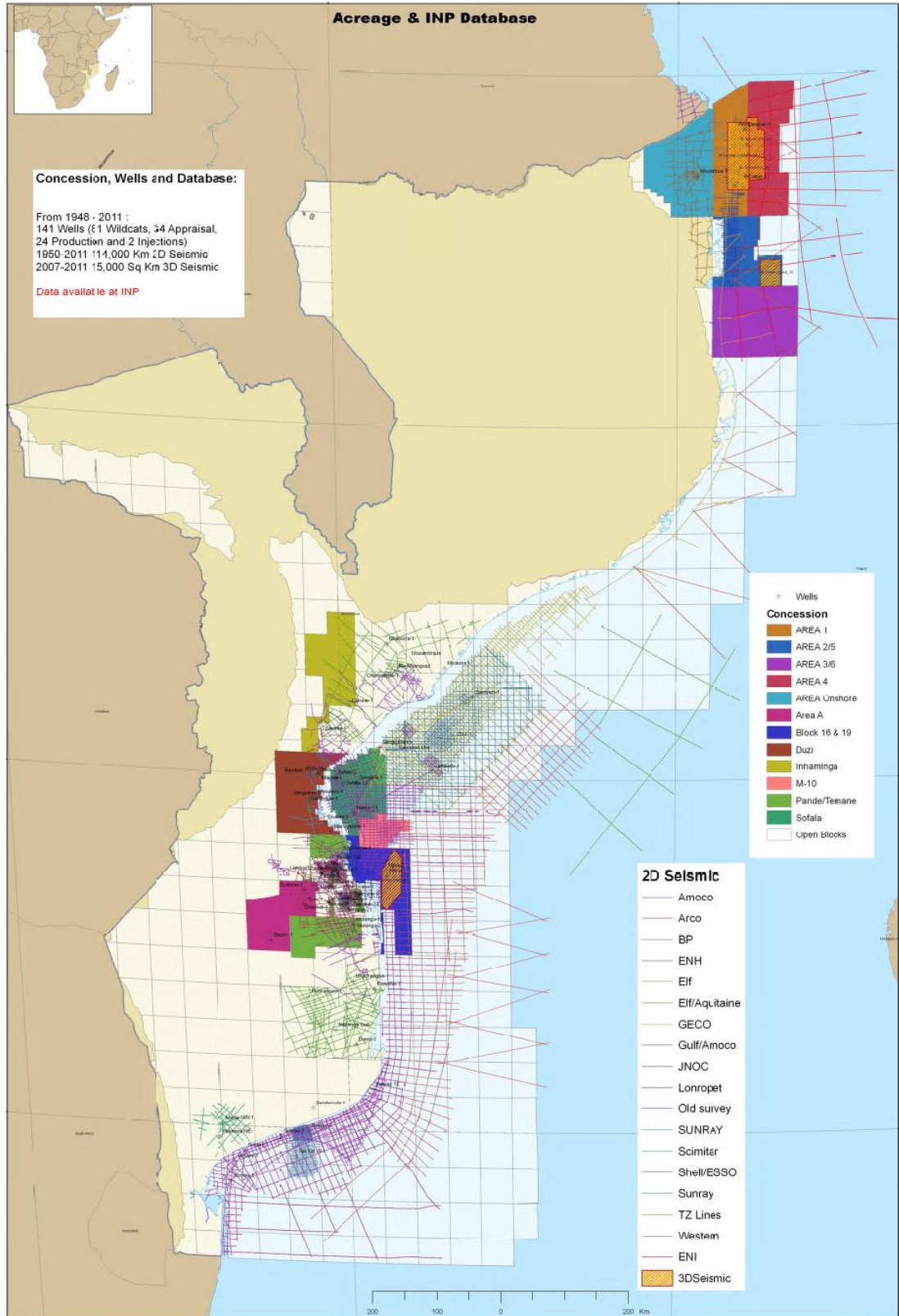
The development of the natural gas reserves (104 Tcf) and of the coal reserves (over 23 billion tons) should take Mozambique close to Angola or Qatar in terms of GDP, in a very near future.

**GDP (Billion current USD)**



Source: World Bank and SPTEC Advisory estimates

## Country map of acreage



Source: Instituto Nacional de Petróleo (INP)

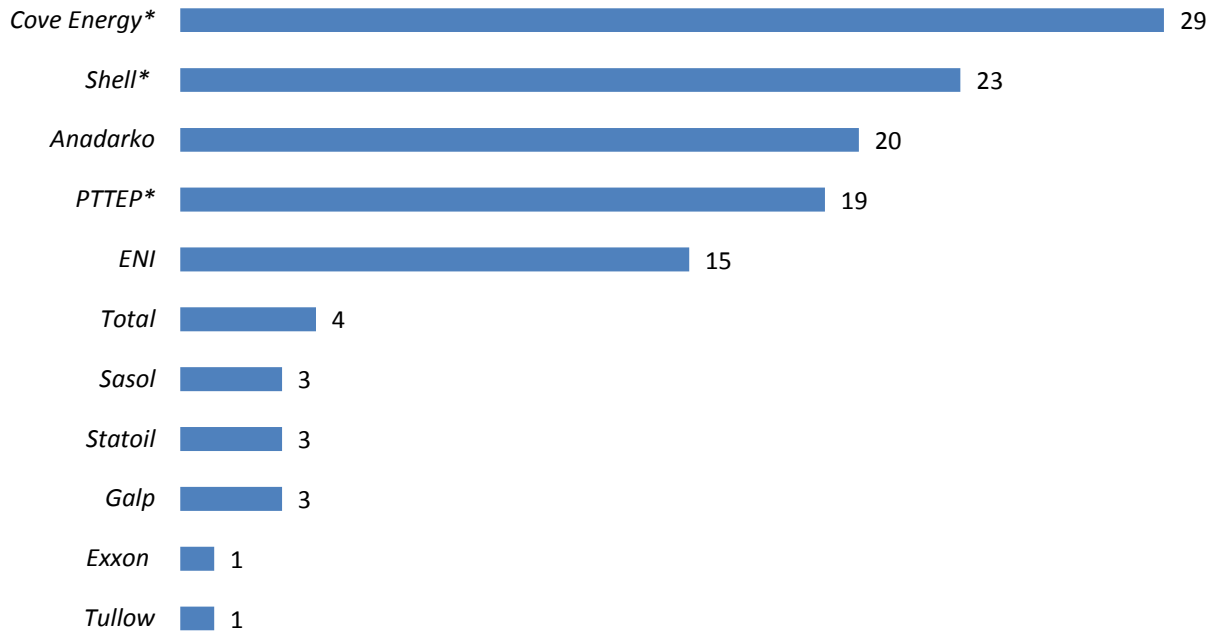
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# **Mozambique 2012 Press Articles**

## Statistics – Company Name Quotes in 2012 Press Articles



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\*Related to Cove Energy Takeover

## DECEMBER

**CB&I** has confirmed that its joint venture with **Chiyoda Corp** has landed a front-end engineering & design contract from Anadarko for an onshore LNG project in Mozambique. Confirmation of the deal comes after reports last week that three players had been handed the contracts for the construction of Anadarko's onshore liquefied natural gas facilities and offshore installation at Area 1 in the offshore Rovuma basin. The project covers four LNG trains each of 5 million metric tonnes per annum of capacity. Gas will be fed from Anadarko's Area 1 and also from Eni's Area 4 with first gas expected in 2018, CB&I said. A separate consortium comprised of **Technip**, a **Subsea-7** and **Saipem** joint venture and a McDermott-Allseas joint venture were awarded the offshore installation FEED contract. This deal includes a full engineering, procurement, installation and commissioning plan for the subsea production systems. (Upstream Online, December 24)

US independent **Anadarko Petroleum** has awarded front-end engineering and design contracts for the construction of its onshore liquefied natural gas facilities and offshore installation at Area 1 in the offshore Rovuma basin, Mozambique. According to project partner **PTT Exploration and Production (PTTEP)** of Thailand, the onshore LNG FEED contracts will be performed by three consortiums made up of: a joint venture between **JGC Corp** and **Fluor Transworld Services**; a **CB&I-Chiyoda Corp** joint venture; and **International Bechtel**. Area 1 is 36.5%-owned and operated by **Anadarko**, in partnership with **Mitsui E&P** (20%), **BPRL Ventures** (10%), **Videocon Mozambique Rovuma 1** (10%), **PTTEP** (8.5%) and Mozambique's **Empresa Nacional de Hidrocarbonetos** (15%). The block has been estimated to contain between 35 and 65-plus trillion cubic feet of recoverable natural gas. The joint venture is targeting first LNG cargoes in 2018. (Upstream Online, December 21)

**Eni** has today signed a Heads of Agreement (HOA) with **Anadarko Petroleum Corporation**, establishing foundational principles for the coordinated development of common natural gas reservoirs in the offshore Mozambique. The HOA will facilitate a development program whereby Eni and Anadarko will conduct separate yet coordinated offshore activities, spanning both Area 4, operated, by Eni and Area 1, operated by Anadarko. Furthermore, the two companies will jointly plan and construct common onshore LNG liquefaction facilities in the Cabo Delgado Province of northern Mozambique. **Eni** is the operator of Area 4 with a 70% participating interest. The other partners of the joint venture are **Galp Energia** (10%), **KOGAS** (10%) and **ENH** (10%, carried through the exploration phase). (Company Announcement, December 21)

Foreign operators in Mozambique will have a new tax applied to their operations. The government is enacting a 32% tax on the future sale of local assets. The new tax comes as the country emerges as a significant holder of coal and natural gas reserves and Mozambique seeks to take reap greater rewards from those resources. The country's parliament passed an amendment to its corporate

income tax, stating that sale of local assets held by non-resident entities will be taxed at 32% without consideration for the time they were held. (Petroleum Africa, December 20)

**Wärtsilä** signed a contract to engineer, supply and install a major gas fuelled power plant in Mozambique. The plant will be the biggest gas power plant ever installed in Mozambique and second largest power plant running exclusively on gas engines to be installed on the African continent. In addition to the power plant itself, the turnkey contract includes the construction of a sub-station and a gas pipeline. The value of the power plant contract is €138 million. The contract has been signed with the JV Central Termica de Ressano Garcia, owned by **Sasol** New Energy from South Africa and the Mozambique state utility, Electricidade de Moçambique (**EDM**). The plant will be powered by a total of 18 Wärtsilä 34SG engines running on natural gas, with the gas being fed from the Pande and Temane gas fields. The power plant is scheduled for completion by May 2014, and the electricity produced will be sold to EDM. Once completed, the power plant will be an important part in the development of the power generation infrastructure of Mozambique. (Petroleum Africa, December 14)

**ENI** Spa said Wednesday it has discovered new gas resources amounting to an additional 170 billion cubic meters, or 6 trillion cubic feet, of gas in Mozambique. The company said the discovery was made in Mamba South 2 and Coral 2 delineation wells. The full potential of the Mamba complex in Area 4 is estimated at 2,115 billion cubic meters or 75 trillion cubic feet, of gas in place, **ENI** said. **Eni** said it plans to drill at least two further delineation wells, Coral 3 and Mamba South 3, in order to assess the full potential of the Mamba Complex discoveries. It added that it is the operator of Area 4 with a 70% participating interest. The other partners of the joint venture are **Galp Energia**, **KOGAS** and **ENH**, each holding 10%. (Rigzone, December 05)

**Sasol** Petroleum International is in the process of appraising the Inhassoro field in Mozambique to determine its commercial viability. The company said it is encouraged by the extended well test results and expects to make a decision for development during H1 2013. Not all its news out of Mozambique was good however, as its wildcat exploration well, the Mupeji-1, offshore on the M-10 concession did not encounter hydrocarbons. The well was subsequently plugged and abandoned as a dry well. The company said its share of the estimated costs for the dry well was \$53 million and will be expensed. (Petroleum Africa, December 04)

## NOVEMBER

**Anadarko** Petroleum Corp. is considering a joint venture to monetize up to a third of its interests in Mozambique. Anadarko's vice president for investor relations, John Colglazier, told analysts at a conference Wednesday that a joint venture would help the company share the costs of developing its massive gas discovery off the coast of Mozambique. "It's a pretty significant piece of the portfolio for something that's not producing," Mr. Colglazier said. "We've said we'd consider monetizing up to a third of our interest...to help us out and probably minimize portfolio risk." Mr. Colglazier said there are an estimated 35 trillion to 65 trillion cubic feet of recoverable natural gas in the offshore fields of Mozambique, and there is more potential for discovery. The company anticipates it will begin selling gas from the area in 2018. (Rigzone, November 28)

A financing deal is moving forward that will enable Mozambique to develop a refinery. According to a Reuters report, **Olimoz** has reached an agreement with an unnamed US "sovereign trust" to help finance the proposed \$12-billion, 350,000 bpd refinery. "We have finalized the funding agreement and we expect to begin construction in the middle of 2013," Fausto Cruz, chief executive of the state-owned company, told Reuters. Funding for Oilmoz had been guaranteed for up to \$17-billion. Oilmoz is also considering a gas-fired power plant, fuel storage facilities and a petrochemical derivative plant, together with an offshore port terminal to transport crude to the integrated project. "We have reached an equity agreement but this will become public in a little while when a joint statement will be issued identifying the trust and the terms of funding," Cruz said. The refinery will be funded on a build-own-transfer basis, he added. (Petroleum Africa, November 19)

Kenya has reportedly refused to sanction **Cove Energy's** attempt to transfer its offshore licences to its new owner PTT Exploration & Production (**PTTEP**), because it wants to negotiate a cut of the deal that saw Cove sold. Thailand's PTTEP agreed in August to buy Cove Energy and its small stakes in seven licences offshore Kenya in a \$1.9 billion acquisition. Energy minister Kiraitu Murungi said he hoped to negotiate a "fair amount" in taxes related to the transfer of the licences. His refusal to approve the transfer of the stakes means PTTEP will have no legal authority to yet take Cove Energy's place as an oil and gas exploration venture partner. Cove Energy said before it was acquired that it would be subject to corporate income taxes in Mozambique on capital gains there at a rate of a tax rate of 12.8%. (Upstream Online, November 16)

A few years ago governments in east Africa would practically pay companies to come and explore for oil or gas on their territory. Those days are gone. Promising discoveries from Mozambique to Kenya have put governments in the driver's seat and the rising fees they will demand from oil and gas companies will start to weed out the smaller players that have blazed the region's exploration path. Kenya has said it will revamp its tax rules to benefit more from profits earned by foreign oil and gas exploration. Energy Ministry Permanent Secretary Patrick Nyoike said last

week the country was proposing to raise the signature bonuses companies pay for exploration and drilling licences to \$1 million from \$300,000. This remains small change on a global scale but the upward trend is clear. Oil producing countries, established or emerging, are keen for exploration companies to pay to signature bonuses and other fees, not least because they are instant cash for government coffers. (Reuters, November 2)

## OCTOBER

Japan and Mozambique have signed a MoU aimed at supplying energy to the Asian country. The deal will allow Japan to tap the African country's natural resources to replace nuclear energy as its main power driver. The Asian country is also looking at coal reserves from Mozambique as well as the natural gas, which allows for it to diversify away from Australia and Qatar for supplies. Japan asked Mozambique to speed up the awarding of a coal mining concession to its Nippon Steel, which plans to begin producing both coking coal for steel and thermal coal to fire power plants back home by 2014. On the natural gas front Mitsui Corp. is one of the partners on Offshore Area 1 where up to 30 Tcf of gas is waiting to be exploited. (Petroleum Africa, October 31)

State-run **Oil India** is in talks with Mozambique to pick up a stake in giant gas field Rovuma-1 after its government assured that the proposed energy policy would allow stakeholders to ship out their share of gas to their countries. Cash-rich Oil India is also considering downstream investments such as setting up fertilizer and petrochemical plants in the country though a consortium of state oil firms because of availability of abundant gas, government and company official said requesting anonymity. (Reuters, October 26)

**Royal Dutch Shell** PLC is still interested in entering Mozambique despite losing out on a deal earlier this year that would have given the oil major access to East Africa's huge gas reserves, Shell's exploration chief, Andy Brown, said in an interview. Large natural gas discoveries off the coasts of Mozambique, Tanzania and Kenya have transformed East Africa into one of the world's most promising energy provinces, potentially challenging Qatar and Australia for key gas export markets in Asia. The gas finds have already led to jostling between companies eager to get access to the region, where they would join Houston oil company **Anadarko Petroleum Corp.** and Italy's **Eni SpA**, both of which have already made significant discoveries. (Rigzone, October 19)

Resource-rich Mozambique will grant more natural gas concessions off its northern coast following major discoveries in recent years, the country's National Petroleum Institute told AFP Tuesday. Companies can start applying by the end of the year, INP administrator Carlos Zacarias told AFP. "The bidding will be effective from December until the middle of next year," said Mr. Zacarias. The areas on offer are east of the existing blocs in the deep water Rovuma basin close to the

Tanzanian border in the north-east, as well in the Zambezi River Delta in the centre of the country, said Mr. Zacarias. (Rigzone, October 16)

Italian oil and gas group **Eni** said on Thursday that a 70 percent stake in its jumbo Mozambique gas field discovery was too big and could be sold down. "We can have a change in terms of ownership but not at the moment. We are still in the exploration phase," the head of exploration and production Claudio Descalzi told analysts. Descalzi also said the group saw production at the giant Kashagan field in Kazakhstan starting in March, ahead of a previously agreed start of June. (Reuters, October 12)

## SEPTEMBER

French giant **Total** has entered an agreement with Malaysia's state-run oil company **Petronas** to farm-in to a production sharing contract in Mozambique's offshore Rovuma basin. Under the agreement Total will earn a 40% interest in the PSC which covers offshore blocks Area 3 and Area 6. "After Kenya and Uganda, Total is entering into the southern part of the prolific Rovuma basin, whose oil potential might equal the gas potential of the northern part," said Total, senior vice president, exploration and production, Africa, Jacques Marraud des Grottes. Petronas was originally awarded a 90% interest the two blocks in 2008 with Mozambique's national oil company **Empresa Nacional de Hidrocarbonetos** holding the remaining 10%. Following the completion of the farm-in agreement with Total, which is still subject to government approval, **Petronas** will continue to hold a 10% interest. (Upstream Online, September 24)

Houston-based oil company **Anadarko Petroleum Corp.** said Wednesday it is in talks with Italian energy major **ENI SpA** to build a liquefied natural gas plant in Mozambique as part of a plan to jointly develop their recent major gas discoveries off the East African country's coast. A consortium led by Anadarko plans to bring the gas to shore, where it will be liquefied and shipped to Asian and other markets. The total cost of offshore development and construction of a new two-train liquefied natural gas terminal is estimated at around \$15 billion, said Mr. Scott Moore, Vice President of Marketing, who was speaking on the sidelines of a conference in Singapore. A final investment decision is expected next year, with the first LNG possibly hitting the market in 2018. (Rigzone, September 12)

**Shell** may get another chance to pick up a stake in Mozambique's natural gas prolific Offshore Area 1 in the Rovuma Basin. Rumors out of India have **Videocon Industries Ltd.**, who holds a 10% stake in the acreage, seeking to sell out. **Videocon**, which runs businesses from making flat-screen television sets to operating mobile-phone services, is said to already be in talks with Shell over the sale. Just a few months back Shell was in a bidding war with **Thailand's PTTEP** for **Cove Energy's** stake the block. While Shell offered \$1.8 billion for the **Cove** stake **PTTEP** upped the ante offering \$1.9 billion, which was accepted by **Cove**. If **Shell** really wants a stake in the Rovuma Basin it will have to open its acquisition wallet

a bit wider for the **Videocon** stake, as the Indian firm is looking to garner \$3 billion for its 10% stake. (Petroleum Africa, September 07)

## AUGUST

Thailand's **PTTEP** has finally wrapped up the purchase of **Cove Energy** after fending off competition from supermajor **Shell**. **Cove** will soon be taken off London's Alternative Investment Market to become a private company following the £1.22 billion (\$1.9 billion) takeover. **PTTEP** had received acceptance of its offer from over 90% of **Cove** shareholders and will now press ahead with the compulsory purchase of the remaining 5.68%. The Thai exploration and production wing of **PTT** was locked in a bidding war for **Cove** with Anglo-Dutch giant **Shell** as both eyes the company's share in high-impact gas plays off Mozambique. **Shell** eventually decided not to up its own offer of £1.12 billion, thus scuppering a planned auction process at the eleventh hour. Although Shell's offer remained on the table **Cove** shareholders went for the higher **PTTEP** offer. (Upstream Online, August 20)

Norway's **Statoil** has farmed down a 25% working interest in its exploration licence offshore Mozambique to **Tullow Oil**. The licence consists of two blocks located in Area 2 and 5 in the Rovuma basin, covering 7800 square kilometres. Statoil's senior vice president in Exploration International, Nick Maden, said in a statement that having **Tullow** farm into the Mozambique acreage allowed **Statoil** to share the geological risk while retaining a significant working interest. As the operator of the licence, Statoil will retain a 65% working interest after the farm down. **Empresa Nacional de Hidrocarbonetos** holds the remaining 10% stake and is carried through the exploration phase. (Upstream Online, August 14)

**Eni** announced a new giant natural gas discovery in the eastern part of Area 4, offshore Mozambique, at the Mamba North East 2 exploration prospect. This is the fifth exploration well successfully drilled in the area. The new discovery adds at least 10 trillion cubic feet (Tcf) of gas in place to Area 4, confirming at least 62 Tcf of gas in place already discovered. The resources exclusively located in Area 4 are at least 20 Tcf plus of gas in place. This result further increases the total potential of the discoveries of Area 4, which is now estimated at 70 Tcf of gas in place. Eni is the operator of Area 4 with a 70 percent participating interest. The other partners of the joint venture are **GalpEnergia** (10%), **KOGAS** (10%) and **ENH** (10%, carried through the exploration phase). (Rigzone, August 01)

## JULY

Thailand's **PTT Exploration & Production** (PTTEP) has received over 90% of valid acceptances for its £1.22 billion (\$1.9 billion) offer for UK explorer **Cove Energy**. PTTEP said that as of Tuesday it had received valid acceptances from Cove



shareholders representing 91.37% of the existing issued share capital in the company. This means the offer has now received the minimum of 90% acceptances set by the Thai company when it initially launched its takeover offer in May. PTTEP chief executive Tevin Vongvanich said the company would now request the London Stock Exchange cancel the trading of Cove's shares on the Alternative Investment Market. (Upstream Online, July 31)

While the majority of companies involved in the recent offshore natural gas discovery boom in Mozambique are focusing on LNG to monetize their resources, there are other opportunities for Mozambique's current gas production. The petrochemical industry, specifically natural gas as feedstock for fertilizer production, is one of those opportunities for the country's current production. Mahomed Valá, national director for Agrarian Services Mozambique, said the country may start producing fertilizer as soon as 2014 or 2015 as part of an initiative by Mozambique's Agriculture Ministry in partnership with some countries in Southern Africa interested in the project. (Petroleum Africa, July 27)

Thai oil firm **PTT Exploration & Production** moved a step closer to finalising its \$1.9 billion takeover of **Cove Energy** after securing acceptances for its offer from 72 percent of shareholders in the Mozambique-focused gas firm. PTTEP, which in May set a minimum level for acceptances of 90 percent, said it would extend its offer again, giving shareholders until July 31 to accept it. Rival suitor **Shell** left **PTTEP** in pole position to acquire **Cove** after ruling out raising its bid to match **PTTEP's** higher offer earlier in July, bringing to a close a five month bidding war. **PTTEP** and Shell had been battling to buy **Cove**, attracted by the company's position in huge gas fields discovered off the coast of Mozambique which look set to transform the east African country into a major supplier of energy to Asia. The takeover of **Cove** will help state-controlled **PTTEP** ramp up production as part of its mission to boost energy supplies for Thailand, which uses natural gas to generate 70 percent of its electricity. (Energy-pedia, July26)

**Royal Dutch Shell Plc (RDSA)** has started discussions with **Anadarko Petroleum Corp. (APC)** (APC) over a bid for the U.S. producer's gas assets in Mozambique, where energy companies are looking to tap the largest discoveries in a decade, according to people familiar with the situation. Europe's biggest oil company has begun informal talks with **Anadarko** about a deal for some or all of its 36.5 percent stake in the Rovuma-1 offshore gas fields, though **Anadarko** is reluctant to sell before further results of exploration in the area are known, the people said, asking not to be identified because the talks are private. Anadarko hasn't begun a formal auction process for the stake, which could fetch about \$8 billion based on the price Thai energy company PTT Exploration & Production Pcl (**PTTEP**) offered for the U.K.'s **Cove Energy Plc.** (Bloomberg, July 19)

**Cove Energy's** share price has stabilised after it threw its weight behind **PTTEP's** \$1.9 billion offer for the company on Tuesday. The move comes after shares took a beating on Monday following Shell's decision to pull out of an auction for the company which had been planned for Tuesday. Cove has "strongly" recommended that shareholders accept PTTEP's offer of £2.40 (\$3.75 today) per

share, a sizeable hike on the £2.20 Shell had put on the table. Although Shell's offer still stands, the fact it decided not to compete with Thailand's PTTEP in an auction process indicates that it has all but given up on landing the Cove prize. (Upstream Online, July 17)

British regulatory body the Takeover Panel has set the close of business on 16 July as the last date for new public takeover offers for Cove Energy from suitors **Shell** and **PTT Exploration and Production** Africa. The two companies have been competing since February for control of Cove, with PTTEP currently offering £2.40 per share compared to Shell's £2.20. Both offers are significantly below Cove's 12 July closing price of £2.74. While neither company has declared their offer final, neither has been able to win significant support for their deal, with both recording commitments of less than 4% of shares to their offers. (Upstream Online, July 13)

## JUNE

On 24 April 2012, the boards of **Shell Bidco** and **Cove** announced the terms of the cash offer by Shell Bidco, a wholly owned subsidiary of Royal Dutch Shell, for the entire issued and to be issued share capital of Cove. The offer document, which contains, among other things, the full terms and conditions of the Offer and procedures for acceptance of the Offer, was issued by Shell Bidco on 2 May 2012. On 14 June 2012, Shell Bidco announced the Offer was extended until 1.00 p.m. (London time) on 27 June 2012. As at 1.00 p.m. (London time) on 27 June 2012, Shell Bidco had received valid acceptances of the Offer in respect of 16,971,895 Cove Shares representing approx. 3.46 per cent. of the existing issued share capital of Cove, which Shell Bidco may count towards the satisfaction of the acceptance condition to the Offer. So far as Shell Bidco is aware, none of these acceptances have been received from persons acting in concert with Shell Bidco. Of these acceptances, acceptances have been received in respect of, in aggregate, 4,684,179 Cove Shares (representing approx. 0.95 per cent of the existing issued share capital of Cove) which were subject to an irrevocable commitment procured by Shell Bidco. The Offer, which remains subject to the terms and conditions set out in the Offer Document, is being extended and will remain open for acceptance until the next closing date which will be 1.00 p.m. (London time) on 11 July 2012. (Energy-pedia, June 28)

**PTT Exploration & Production** (PTTEP) and **Royal Dutch Shell** are continuing to play a game of seeing who blinks first in their takeover battle for East Africa-focused **Cove Energy**, with the Thai company announcing Monday that its \$1.9 billion bid is being extended to July 6. In mid-June, Shell announced it was extending its \$1.8 billion offer for Cove to June 27 but did not increase the price it was willing to pay for the firm. Recently, investors have been speculating that Shell might increase its offer before Wednesday, so PTTEP's latest move could be seen as a preemptive attempt to show investors – and Shell – that it is prepared to stick around. Cove's board of directors originally recommended that investors accept Shell's \$1.8 billion offer, but changed its mind in late May after PTT upped its own bid. (Rigzone, June 25)

**Sasol** plans to spud a new well in Mozambique within the next month or two according to the company's director of exploration Peter Dekker. The well will be drilled on the Sofala Block. Dekker, cited by Mozambican newspaper Noticias, said that drilling for the next well would be carried out between July 15 and August 15, and that the probability of finding natural gas was estimated at 25%. In the Noticias article Dekker said that work on the first well, which is expected to be drilled to 4,000 meters, would take 45 days and, if the result is positive, the potential of the reserve would be assessed in order to drill, over six months, another well for commercial exploration. In November 2011 Ebbie Haan, MD of Sasol Petroleum International, told attendees at the Africa Upstream conference that the company said that it was looking for a partner for the Sofala Block. Sasol was said to be looking to sell off a 25% stake in the block. (Petroleum Africa, June 22)

Supermajor **Shell** has extended the closing date of its takeover offer for UK-listed **Cove Energy** to 27 June 2012, despite the target advising its shareholders to accept a rival bid from Thailand's PTT Exploration and Production. The extension of time did not come with an increase Shell's bid price of £2.20, under the revised **PTTEP** bid £2.40 which Cove directors changed their position to recommend in May. The PTTEP bid, which valued the company at \$1.9 billion, also last month received approval from the Mozambican government. (Upstream Online, June 14)

Australian listed petroleum exploration company **FAR** has commenced the acquisition of a 3D seismic survey over some of the world's most keenly sought petroleum exploration acreage off the coast of Kenya. The survey will cover 680km<sup>2</sup> and is budgeted to cost \$13.67M (FAR Ltd share \$8.2M). The seismic survey is scheduled to commence acquisition this Friday (15 June) and to be completed in early July. FAR's L6 permit off the Kenya coast lies in the Lamu Basin, north of recent, world scale, natural gas discoveries totalling around 100 trillion cubic feet off the coasts of Mozambique and Tanzania. FAR managing director, Cath Norman said, 'Drilling in the Rovuma Basin off the coast of Mozambique and Tanzania, has so far achieved a near perfect success rate. Much of that success has stemmed from the use of modern, high quality, 3D seismic data which is able to provide quality images of potential structures deep beneath the surface. FAR has mapped a total of seven prospects in the L6 permit which we aim to better define using the 3D seismic and greatly enhance our chance of success ahead of drilling next year.' (Energy-pedia, June 13)

Houston-based **Anadarko Petroleum Corporation** announced Monday it had made another significant natural gas discovery offshore Mozambique in the Rovuma Basin. Anadarko's Atum discovery well encountered over 300 feet (92 meters) natural gas pay in two high-quality Oligocene fan systems. According to preliminary data, the latest discovery is connected to the recent Golfinho discovery located approximately 10 miles (16.5 kilometers) northwest in Offshore Area 1. The two discoveries represent Anadarko and its partners' second major gas complex offshore Mozambique, said Bob Daniels, Anadarko's senior vice president of worldwide exploration, in a statement. "We estimate this new

complex, which is located entirely within the Offshore Area 1 block, holds 10 to 30-plus trillion cubic feet (Tcf) of incremental recoverable natural gas resources," said Daniels. The Atum well was drilled by Dolphin Drilling drillship Belford Dolphin (UDW drillship) to a total depth of approximately 12,665 feet (3,860 meters) in approximately 3,285 feet (1,000 meters) of water. (Rigzone, June 11)

## MAY

Mozambique has approved Bangkok-based **PTT Exploration and Production's** \$1.9 billion bid for UK-listed **Cove Energy**, the companies said on Tuesday, removing the risk Maputo could block the bid in favour of a lower one from rival **Shell**. The government approval paves the way for continued bidding, which most shareholders had expected, Reuters reported. Cove has an 8.5% stake in massive gas finds offshore northern Mozambique. Project leader Anadarko Petroleum plans to build large plants to freeze the gas to liquefied natural gas for export in ships. Mozambique's government had given its approval for Shell to buy Cove and an official within Mozambique's minerals ministry told Reuters the government preferred a buyer with LNG expertise. (Upstream online, May 29)

**Cove Energy** chose to release its 2011 results on Thursday, a day after the takeover battle between Royal Dutch **Shell** and Thailand's **PTT Exploration & Production** for the East Africa-focused energy company took a new twist. Wednesday saw PTT trump Shell's offer for Cove – which has stakes in significant gas resources in Mozambique, as well as involvement in exploration soon to take place offshore Kenya – with a \$1.9 billion bid of its own for the firm. Cove's board had already recommended Shell's previous offer, made in April, of \$1.8 billion for the business, but the firm's management team is now advising investors to accept PTT's offer. On Thursday, Cove's directors confirmed that they had withdrawn their recommendation of the offer from Shell. (Upstream Online, May 24)

The **Cove** board has recommended a new cash takeover offer from Thailand's **PTTEP**, which has surpassed the previously recommended Shell bid by 9.1% or 20 pence per share. Cove said it would now recommend a new bid from the Thai company of £2.40 for each Cove share held, valuing the company at £1.22 billion, instead of Shell's £2.20 per share offer, up on its initial offer of £1.95 per share. Both Cove and PTTEP said the offer price represented an enterprise value between US\$2.48 and US\$5.18 per barrel, based on an estimated recoverable gas resource of between 24 trillion and 50 trillion cubic feet in the Mozambique Rovuma Offshore Area 1 discovery. (Upstream Online, May 23)

Mozambique could become the world's third largest exporter of liquefied natural gas (LNG), an **Anadarko** Petroleum Corp. executive told attendees at the Mayer Brown Seventh Annual Global Energy Conference in Houston on Wednesday. Ramsey Fahel, vice president & general manager – commercial with Anadarko Mozambique, said the company is working the Mozambique's government to establish the framework and fiscal regime for LNG development "of a caliber not

seen before in continental Africa." The company plans to develop two-train LNG facility associated with the Prosperidade discovery, which contains between 17 and more than 30 trillion cubic feet (Tcf) gross recoverable resources. (Rigzone, May 23)

British oil explorer **Cove Energy** said shareholders should accept a \$1.8 billion takeover offer from Shell, with just days remaining before a deadline for the deal. Investors in Cove have until Wednesday to accept **Shell's** offer, but Cove's statement calls this the first closing date, suggesting there could be an extension to the deadline. Analysts had said a rival bidder could enter the fray, and Cove's shares have traded above the level of Shell's offer since it was made, on hopes of a counterbid from Thailand's **PTT Exploration and Production**, which last month declined to rule itself out of the race, or another party. (Rigzone, May 21)

**Eni** has announced a new giant natural gas discovery in Area 4, offshore Mozambique, at the Coral 1 exploration prospect. The results for this well, drilled in the southern part of Area 4, are of particular significance. The Coral discovery is estimated to contain between 7 and 10 tcf of gas in place, exclusively located in Area 4. With these new results at Coral 1, Eni estimates that the resources exclusively located in Area 4 range between 15 and 20 tcf of gas in place. The new discovery further increases the total potential of the Mamba complex discovered so far in Area 4 Offshore Rovuma, which is now estimated to hold between 47 and 52 tcf of gas in place. (Energy-pedia, May 16)

Golfinho Area estimated to hold 13 to 45 TCF of gas in place. **Anadarko** Petroleum has announced the Golfinho exploration well discovered a new, major natural gas accumulation nearly 20 miles (32 kms) northwest of its Prosperidade complex within the Offshore Area 1 of the Rovuma Basin. The Golfinho discovery well encountered more than 193 net feet (59 net meters) of natural gas pay in two high-quality Oligocene fan systems that are age-equivalent to, but geologically distinct from, the previous discoveries in the Prosperidade complex. (Energy-pedia, May 15)

**Shell** has jumped another hurdle in its attempted acquisition of **Cove Energy** by receiving a green light from the Mozambican government. The approval from the government met one of the conditions of the takeover. Cove reported that it had received written confirmation from Mozambique's government consenting to Shell's \$1.8 billion offer for the company. Shell had the same news to report the day before. It was reported earlier in May that the board of Cove had unanimously recommended the takeover by Shell. Shell recently met with the government of Mozambique and discussed the government's LNG ambitions. (Petroleum, May 11)

**Shell** Mozambique is in talks with Shell about the oil giant developing the country's natural-gas resources, including a possible liquefied-natural-gas project, President Emilio Guebuza said Wednesday. Shell, which last month had a \$1.8 billion bid for Mozambique-focused gas producer Cove Energy recommended by

the firm's board, may choose to use the access to one of East Africa's most promising natural-gas provinces to develop giant export facilities, Reuters reported. (Upstream Online, May 09)

Mergers and acquisitions (M&A) in the oil and gas industry carry some high price tags and deals during Q1 2012 were no exception. While the largest volume of deals came out of North America, 80% or \$27.8 billion, Africa came in second with \$2.2 billion in M&A deals. African deals during Q1 came out of Egypt, Ghana, Mozambique, Namibia, Tanzania, and Tunisia. One deal ate up a good portion of that \$2.2 billion, the acquisition of **Cove Energy** by **Shell** which is valued at \$1.8 billion. (Petroleum Africa, May 08)

Several heavyweight players are reported to be in contention for bidding on eight new deep-water blocks up for grabs off Kenya as recent finds off neighbouring Tanzania and Mozambique have fuelled exploration interest in the East African play. French giant **Total** is said to be in talks with the government for a production sharing contract on one of the new blocks, L-22, while US players **Apache**, **ExxonMobil** and **Anadarko** Petroleum as well as Anglo-Dutch **Shell** and Norway's **Statoil** are also said to be in vying for the acreage, with bids set to land in the coming weeks. (Upstream Online, May 07)

**Cove Energy**, together with operator **Anadarko Petroleum**, has provided the results of its second flow test of the Barquentine-1 well at the northern end of the Prosperidade gas complex in the Rovuma Basin Area 1 block, Offshore Mozambique (Area 1 Rovuma Offshore). Testing of the Barquentine-1 well flowed gas at an equipment constrained rate of approx. 100 million cubic feet per day (MMcf/d), with minimal pressure drawdown, targeting a deeper Oligocene sand formation than previously tested Barquentine-2 in March. The Barquentine-1 well is located in water depths of approx. 5,200 feet (1,585 meters) in Area 1 Rovuma Offshore. The drillstem test was conducted by the Deepwater Millennium drillship, which is planned to stay on the Barquentine-1 location for a flow and interference test in a shallower Oligocene sand formation. The 2012 testing programme also includes drillstem tests in the Lagosta and Camarão areas to the south of the Barquentine discovery area. This flow test result further supports future development well designs capable of 100 to 200 MMcf/d and confirms the high deliverability of the reservoir, indicating that a low density of development wells may be sufficient to produce the reservoir. The flow tests are an important component in the reserve certification process as the partnership focuses on achieving FID (final investment decision) around the end of 2013. (Energy-pedia, May 04).

A contract for a 3D seismic survey over some of the world's most keenly sought petroleum exploration acreage off the coast of Kenya has been awarded by Australian listed petroleum exploration company, **FAR**. FAR's L6 permit off the Kenya coast lies in the Lamu Basin, north of recent, world scale, natural gas discoveries totalling around 100 trillion cubic feet off the coasts of Mozambique and Tanzania. The survey will cover 680 square km and is budgeted to cost



\$13.67M (FAR Ltd share \$8.2M). The seismic survey is expected to start at the end of May and take approx. 5 weeks to acquire. (OilVoice, May 01)

## APRIL

The Mozambican government plans to increase its maximum stake in future oil and gas blocks in the north of the country from the current 25% to 40%, according to the chairman of national oil and gas company **Empresa Nacional de Hidrocarbonetos (ENH)**, Nelson Ocuane. Macauhub News Agency reports that this development follows widening interest in Mozambique in wake of massive offshore gas discoveries there by American oil and gas producer **Anadarko Petroleum** and Italy's **ENI**. "The idea is to increase Mozambican participation to 40% in all future projects, to improve state control of the companies and collect more revenues for the country," said Ocuane. "In the future ENH may opt to develop its own blocks, as long as it has the capacity to do so," he added. (Mining Review, April 30)

**Statoil** has found a partner to farm into its pair of blocks off Mozambique but is remaining mum on the identity of the buyer, a report has claimed. The Norwegian major could reveal the identity of the partner as soon as next week, Reuters quoted a Statoil official as saying on Wednesday. The unnamed player would be taking a 25% cut in Blocks 2 and 5 in the Rovuma basin off the East African nation where several large discoveries have recently been unearthed by **Anadarko Petroleum** and Italy's **Eni**. (Upstream Online, April 25)

**Royal Dutch Shell** has made a recommended cash bid worth more than £1bn for **Cove Energy** in the face of competing takeover interest in the east Africa-focused oil and gas explorer from Asian rivals. The oil and gas major said rival offers could still be made for Cove, whose presence in Mozambique has interested Thailand's **PTT Exploration & Production**, as well as Oil & Natural Gas Corporation and Gail India, two Indian groups. PTT said on Tuesday that it was considering whether to keep pursuing Cove, which has as its prime asset a stake in a Mozambique gasfield acquired along with its then finance partner Maurel & Prom for a nominal \$11m in 2009. The formal offer from Shell values Aim-quoted Cove at 220p a share, or £1.12bn, a 13 per cent increase on an initial approach of 195p a share in February. (Financial Times, April 24)

London-listed **Cove Energy** has confirmed it will be required to pay 12.8% tax on any capital gain rising from the sale of its Mozambique assets due to a potential takeover. The company, which put itself up for sale in January last month formally, sought clarity on potential income taxes arising from any future sale of its assets in the country. The company said the tax applied to the potential gain from the sale, after available tapering relief was applied, must be submitted within 30 days of completion of the transaction. In a statement to the London Stock Exchange, Cove said discussions with companies that had made takeover offers were continuing. (Upstream Online, April 10)

US independent **Anadarko** has drilled its ninth successful well in Offshore Area 1 of the Rovuma basin, off Mozambique, after hitting gas in the Barquentine-4 appraisal well. The well was drilled in the northern section of the newly named Prosperidade complex in a water depth of about 1650 metres and encountered 525 net feet of natural gas pay. Anadarko has previously estimated the Prosperidade complex, which includes the Windjammer, Barquentine, Lagosta and Camarao discoveries, to hold recoverable resources of between 17tcf and 30tcf of gas. (Rigzone, April 04)

## MARCH

The size of **Eni's** Mamba gas discovery in Area 4 off Mozambique has mushroomed after the Italian explorer revealed a new giant find on Monday. The company said its Mamba North East 1 drilled probe in the eastern part of the block has increased resources at the find by at least 10 trillion cubic feet after hitting a total of 240 metres of gas pay in multiple high-quality Oligocene and Eocene sands. Of this, 8 Tcf is located exclusively in Area 4. "This new discovery further improves the potential of the Mamba complex in Area 4 off Mozambique now estimated at at least 40 Tcf of gas in place," Eni said in a statement. (Upstream Online, March 26)

Supermajors **BP** and **Shell** are reported to be among oil giants competing for a slice of Eni's mammoth Area 4 gas discovery in Mozambique, with Total also believed to be in the running. A stake worth more than \$4 billion could be up for grabs as Eni looks to sell down its 70% stake in the block following a pair of major discoveries that, along with other finds, have whetted the appetite of bigger players who have so far missed out on the gas bonanza off the East African country. (Upstream Online, March 19)

**Eni SpA** CEO Paolo Scaroni said the company's gas discovery in Mozambique is "transforming" as African fields drive growth. The company expects output to gain more than 3 percent a year until 2015, it said in a presentation to investors. "In Mozambique we made the biggest discovery in our history," Scaroni said in an interview. "This is a transforming discovery for us and it's a transforming discovery for Mozambique as well." (Bloomberg, March 16)

In a release **Cove Energy** said it was "delighted to note" a 2 Tcf increase of the P90 (Proven) estimated recoverable gas resource of the Barquentine discovery area operated by **Anadarko** Petroleum. The gas discovery area is now estimated to contain 17 to 30 plus Tcf of recoverable gas. John Craven CEO of Cove Energy commented; "Well and test results continue to confirm the most optimistic geological model for the Barquentine, Windjammer, Lagosta complex. These recent results also confirm the development timeline with Final Investment Decision in 2013 and first gas in 2018. The project is well under way to becoming the second largest LNG project in the world." (Petroleum Africa, March 15)



US independent **Anadarko** Petroleum's first well offshore Mozambique has recovered gas flows of between 90 million and 100 million cubic feet of gas per day during flow testing. Anadarko senior vice president of worldwide exploration Bob Daniels labelled the results from the Barquentine-2 well "exceptional", adding that they had confirmed the strength and high permeability of the targeted reservoir. (Upstream Online, March 12)

**Total** SA is among oil producers and utilities interested in buying a 20 percent stake in **Eni** SpA's gas discovery off Mozambique, according to people with knowledge of the matter. Total, France's largest oil explorer, is one of at least eight companies that have expressed an interest, one of the people said. Eni plans to sell a 20 percent stake in the Mamba find when an appraisal drilling program is complete next year, another person said. (Businessweek, March 09)

London-listed **Cove Energy** is seeking clarity on a possible tax charge which could be levied by the Mozambique government if the potential sale of the company moves ahead. Cove's statement on Friday came following comments from Mozambique's Minerals Minister Esperanca Bias saying the country planned to impose a capital gains tax on the sale of the UK-based company. (Upstream Online, March 02)

Mozambique wants to impose a capital gains tax on the sale of Cove Energy, the Africa-focused gas explorer at the centre of a bidding war. Minerals Minister Esperanca Bias said on Thursday the government wants to introduce the tax to benefit from a transaction linked to its own resources. Mozambique has become a target for resource-hungry investors due to its vast reserves of coking coal and major gas discoveries off its shores. (Energy-pedia, March 01)

## FEBRUARY

The high-profile battle for **Cove Energy** continues to rumble as Indian state-owned giants ONGC and Gail India confirm their interest in the company. Reports on Tuesday suggested the pair was lining up a \$2 billion offer for the London-listed company that was the subject of huge bids from Shell and Thailand's **PTTEP** last week. In a brief statement on Tuesday, Cove Energy threw up a 'For Sale' sign for the entire company in January after inviting interest in December in its most high-profile asset, an 8.5% stake in the Rovuma Area 1 project offshore Mozambique. (Upstream Online, February 28)

Thai state-controlled oil and gas group **PTT** has trumped **Shell's** bid for Mozambique-focused Cove Energy Plc and prompted hopes of a bid battle, with a proposed offer worth 1.12 billion pounds (\$1.76 billion). News of the offer sent **Cove** shares 20.7 percent higher to 235 pence by the market close - above the offer price - as investors bet on a bid war. The emerging battle reflects the intense

industry interest in East Africa, a previously little-explored area which is tipped to become a major natural gas producing region. (Reuters, February 24)

Royal Dutch **Shell** is poised to expand into Mozambique after making a bid for **Cove Energy** that values the Aim-traded group's equity at £992m. Cove is one of the junior partners to Anadarko Petroleum, the US oil group that recently doubled the estimated size of its biggest natural gas discovery at Mozambique's Offshore Area 1 of the Rovuma Basin. That discovery – and nearby finds by Eni of Italy – suggest the fields off the coast of Mozambique may contain as much as 60tn cubic feet of natural gas – enough to support a major liquefied natural gas project that could become a key supply source for the fast-growing energy markets of China and India. So far, smaller operators have driven most of the exploration in the country, but the Cove deal shows the majors are now increasingly attracted to the region. (Financial Times, February 22)

**Anadarko** Petroleum Corporation has struck a large column of natural gas at an appraisal well off Mozambique. The US independent giant hit 176 metres of net pay at the Lagosta-3 well in Block 1 of the Rovuma basin area, junior partner in the well **Cove Energy** said on Tuesday. (Rigzone, February 21)

**Eni**, Italy's largest oil company, has made a massive natural gas discovery at the Mamba North 1 prospect, in Area 4 offshore Mozambique, discovering a mineral potential of 7.5 Tcf of gas-in-place. (Rigzone, February 15)

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## About SPTEC Advisory

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We deliver un-biased advice supported by in-depth knowledge of the sector value chain.

We have developed a comprehensive technical and economic understanding of assets and business models.

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### Contacts:



**Mustapha K. Faid**  
*President*

[mkf@sptec-advisory.com](mailto:mkf@sptec-advisory.com)



**Roger Carvalho**  
*Chief Executive Officer*

[rmc@sptec-advisory.com](mailto:rmc@sptec-advisory.com)

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SPTEC Advisory delivers un-biased advice supported by an in-depth knowledge of the sector value chain

SPTEC Advisory specialises in strategic and commercial advisory, investments and divestitures advisory, as well as financial structuring and fund raising advisory

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