

**Success Story: Prominence of Independent Oil & Gas Companies
as global players**

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PWC Conference, Accra
October 17, 2013

Disclaimer

This presentation contains forward-looking statements, particularly those regarding global and regional energy growth and sources of energy supply. Forward-looking statements involve risks and uncertainties because they relate to events, and depend on circumstances, that will or may occur in the future. Actual results may differ depending on a variety of factors, including product supply, demand and pricing; political stability; general economic conditions; legal and regulatory developments; availability of new technologies; natural disasters and adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this presentation.

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Introduction

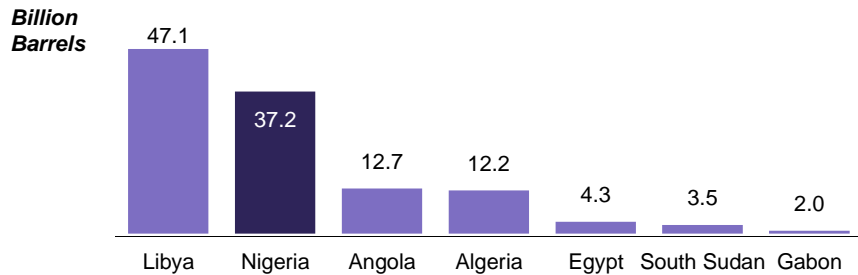
- The Independent Oil & Gas Companies have undoubtedly been part of the Global Successes in the Energy Sector
- There are several hundreds of Independents around the World today, but only a small percentage of these are responsible for most of the contribution in the Global oil / gas Supply and Demand Fundamentals
- By Independents we mean those companies that are not counted among the Majors (IOCs) or the NOC's - the so called medium to small size Producers.
- For the purpose of this presentation, Global roles of these companies will be acknowledged but with greater focus on Africa, with a good mention of our host country Ghana. But emphasis will be on Nigeria and the corporate example will be SEPLAT Petroleum Development Company – for obvious reason.

Introduction cont'd

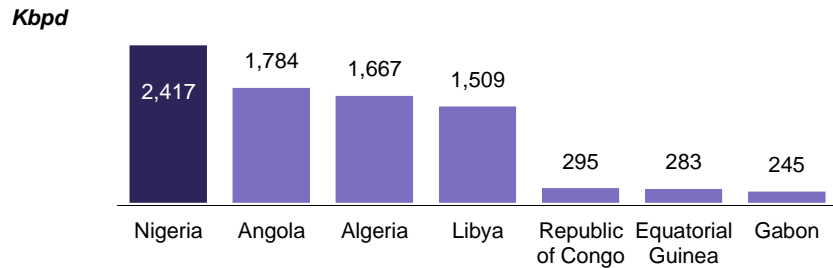
Successes by the Independents are supported by the plethora of opportunities:

- Rising Energy Demand
- Other demanding investments for the Majors and NOC
- Africa increasingly becoming more prominent source of oil and gas supply
 - Increase in reserves and frequency of large discoveries.
 - 132.4 billion barrels of oil & 513.2 TCF proved gas reserves in 2012
- Rising numbers of Independent indigenous oil and gas players in the region.
- Indigenous oil companies increasingly making significant contribution to national oil and gas production / Reserves.
- Indigenous companies impacting their local economies.
- Asset Divestments by the IOCs
- Government Policy Thrust

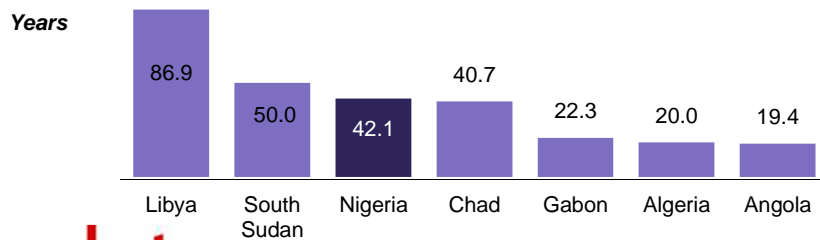
Snap Shot: Key Oil Countries in Africa



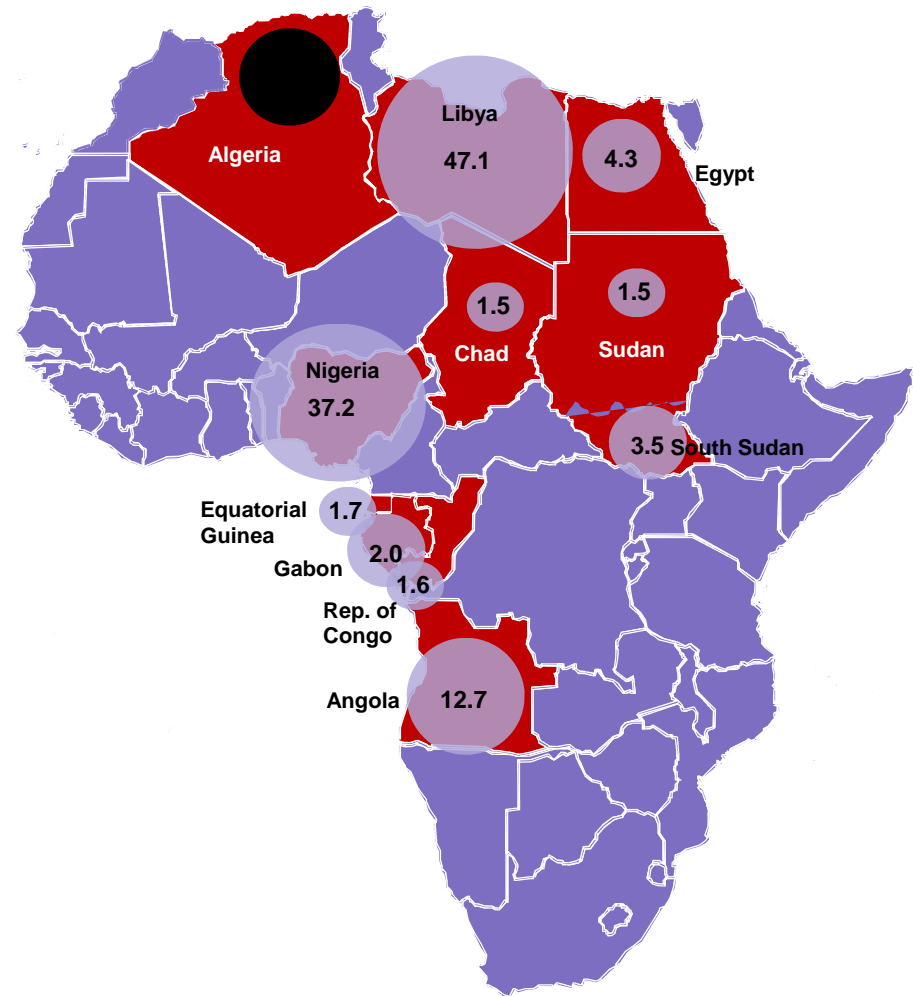
Africa's largest oil producer and a key member of OPEC....



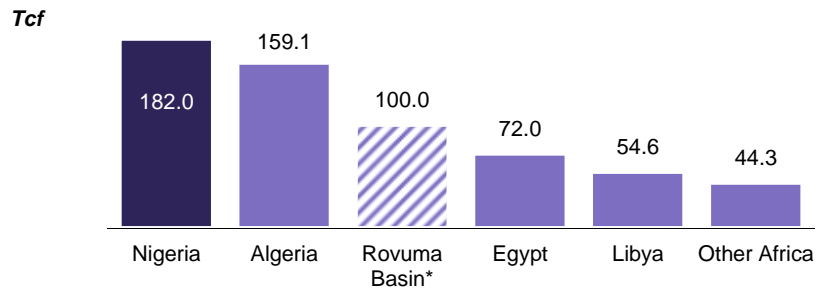
... With over 42.1 years worth of reserves (Europe & Eurasia average – 22.4 years)



Key Oil Countries in Africa (Proved Reserves in Billion barrels)

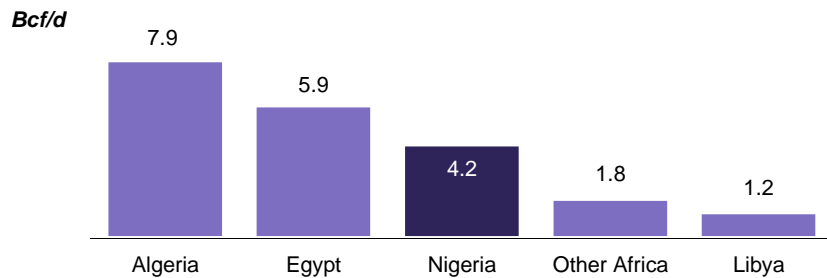


Snap Shot: Key Gas Countries in Africa



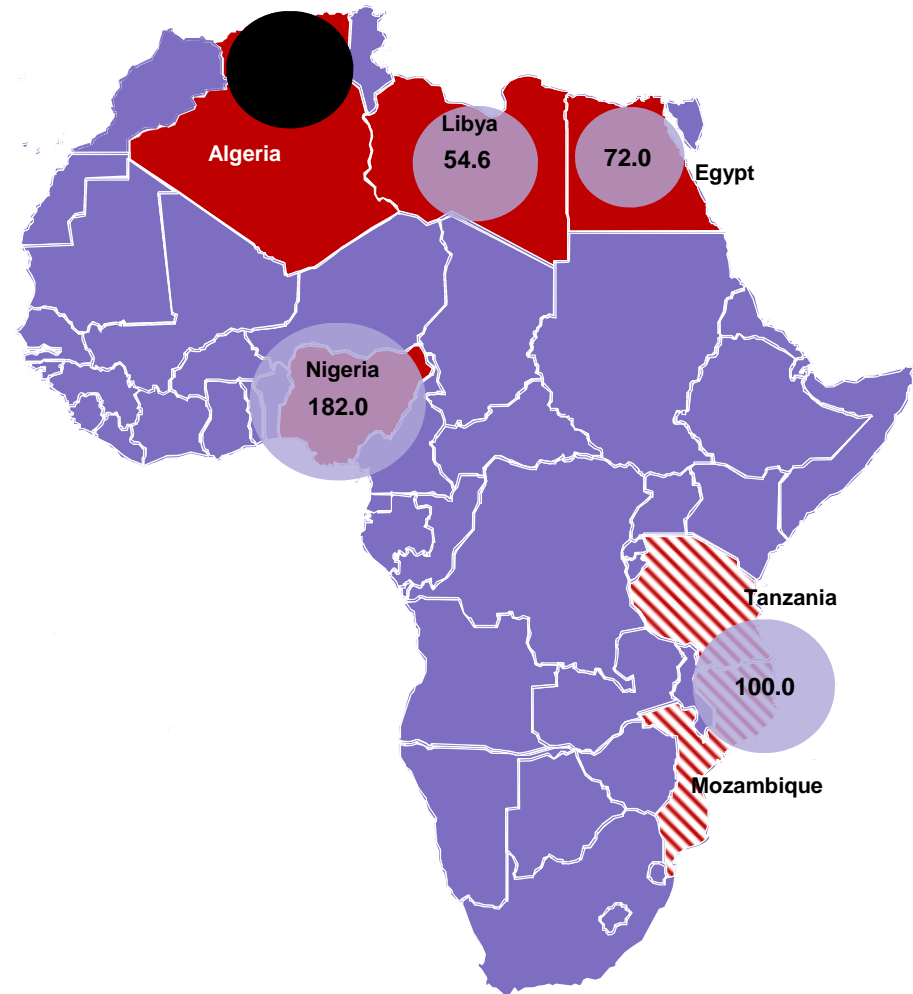
* Rovuma Basin is located offshore East Africa and straddles the territorial waters of Tanzania and Mozambique. Reserve estimates are based on major discoveries announced by companies operating in the region

... and a leading exporter of gas to Far East Asia and the West African sub-region

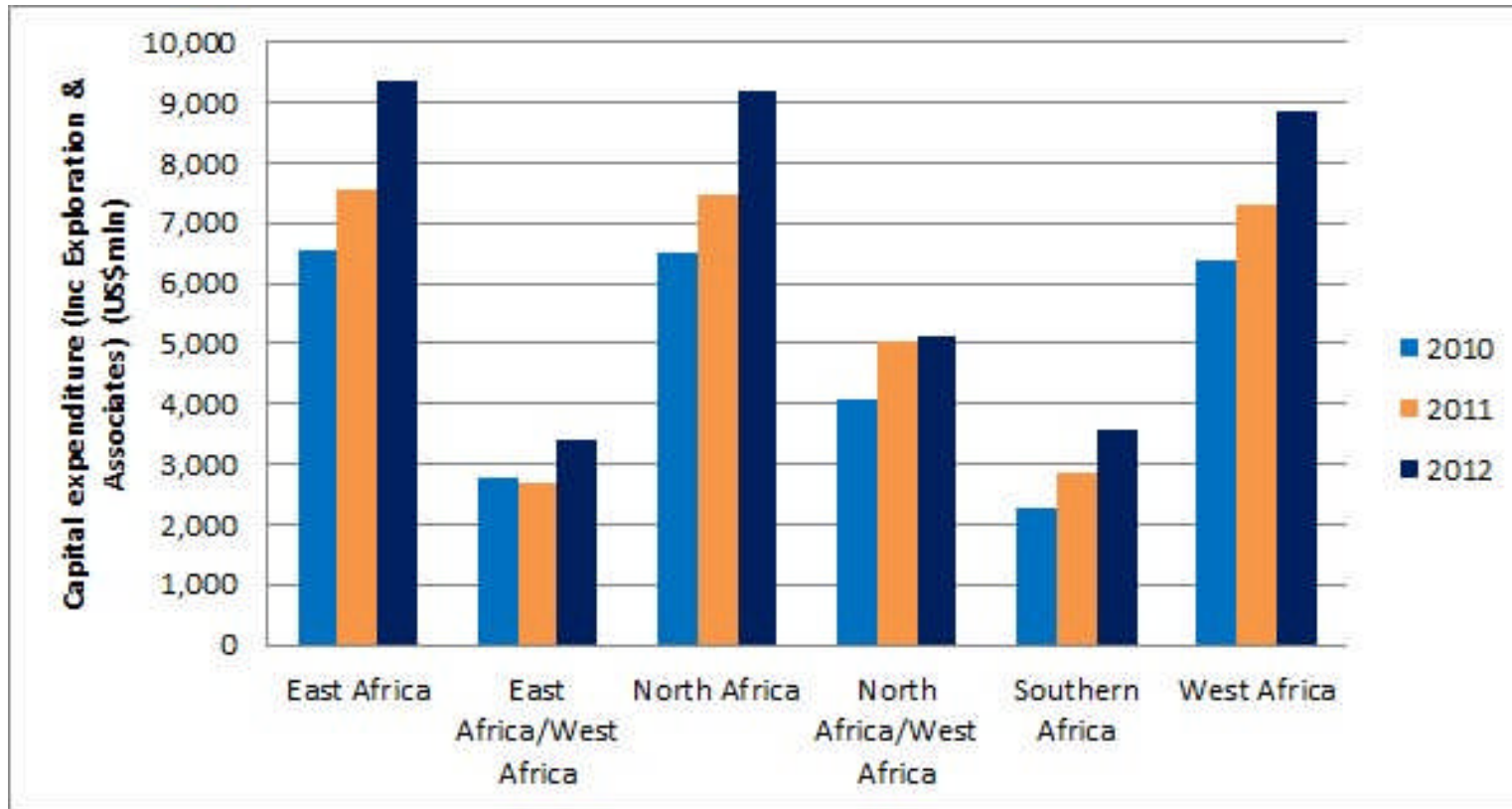


Source: BP Statistical Review of World Energy, June 2013

Key Gas Countries in Africa (Proved Reserves in Tcf)



Capital Spend of Independents in Africa (2010 – 2012)



- ❑ The graph above shows the capital expenditure by region for 34 small and mid-cap oil and gas companies in Africa over the last 3 years .
- ❑ Capital expenditures by small and mid-cap Oil and Gas companies in Africa totaled US\$39,512 billion during 2012; representing an increase of 20% from 2011 when the total reached US\$32,897 billion

Source: Evaluate Energy

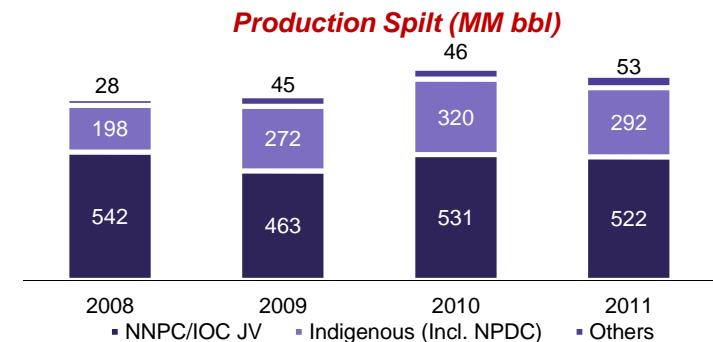
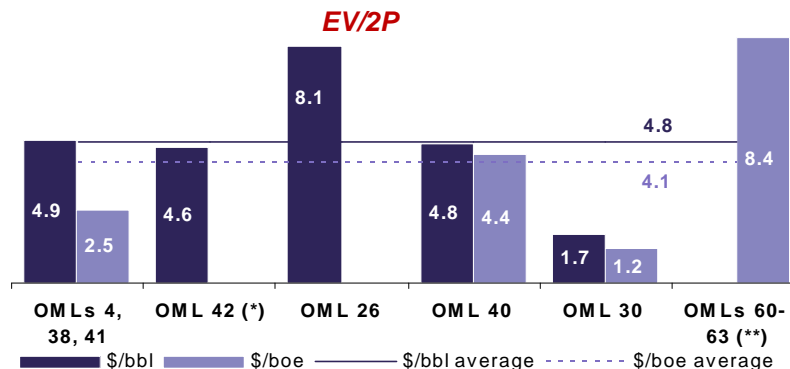
The Emergence of Independents (The Nigerian Case)

Indigenous companies are viewed as being pivotal to the development of Nigeria's oil sector and the government has shown commitment to promoting indigenous participation in E&P, instituting policies favourable to indigenous companies

SEIZING THE OPPORTUNITY IN NIGERIA E&P

- **Discretionary Awards & Emergence of the Indigenous Programme – Early 90s – 99**
- **Preferential access in the bid for new acreage**
 - Since 2003, the Government has favoured the allocation of acreage to indigenous companies during the bid rounds
 - The Nigerian Content Act (2010) specifies that *Nigerian independent operators* be given first consideration in the award of oil blocks
- **Marginal field development programme**
 - Fields left fallow by the IOCs are farmed out to indigenous E&P companies, who are then granted preferential fiscal incentives
 - 24 “marginal” licences were awarded in 2002 and a number of them have begun production – Platform, MidWestern Niger Delta
 - Upcoming round expected to feature fields with large reserves
- **Preferred buyers in onshore and shallow waters IOC asset divestments**
 - Local companies / local company led-consortiums are expected to continue being the beneficiaries of divestitures of onshore/shallow offshore oil blocks by the IOCs who favour deep-water acreage because of their natural advantage in terms of technology, experience and financial capacity
 - Divestments driven by portfolio rationalization rather than underlying economics

ONSHORE ACQUISITION SUCCESSES BY INDIGENOUS COMPANIES - THE GAME CHANGER



NIGERIA'S TOP TWENTY INDIGENOUS CRUDE OIL PRODUCING COMPANIES



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AFRICA OIL+GAS REPORT

								AVERAGE DAILY PRODUCTION AS OF MAY 25, 2013	
COMPANY NAME	OPERATED PRODUCTION	EQUITY PRODUCTION	GROSS PRODUCTION	ACREAGES	LICENCE TYPES	KEY PRODUCING FIELD			
NPDC	150,000BOPD	102,350BOPD	150,000BOPD	OMLs 4, 38, 41, 65, 66, 111, 119,	JV, PSC	Okono			
SEPLAT	52,800BOPD	22,050BOPD	49,000BOPD	OMLs 4, 38, 41	JV	Oben, Amukpe, Sapele			
CONOIL	25,000BOPD	25,000BOPD	25,000BOPD	OMLs 59, 103	Sole Risk	Otuo South			
MIDWESTERN	13,000BOPD	4,550BOPD	13,000BOPD	UMUSADEGE	Marginal Field	Umusadege			
PAN OCEAN	8,000BOPD	3,200BOPD	8,000BOPD	OML 98	JV	Ogharefe			
MONI PULO	4,200BOPD	4,200BOPD	4,200BOPD	OML 114	Sole Risk	Abana			
WALTER SMITH	4,189BOPD	4,189BOPD	4,189BOPD	IBIGWE FIELD	Marginal Field	Ibigwe			
ENERGIA	3,500BOPD	3,500BOPD	3,500BOPD	EBENDO	Marginal Field	Ebendo			
ALLIED ENERGY	2,500BOPD	2,500BOPD	3,000BOPD	OML 120	Sole Risk	Oyo			
AMNI PETROLEUM	3,000BOPD	11,000BOPD	19,000BOPD	OML 112	Sole Risk	Okoro			
PILLAR OIL	2,700BOPD	2,700BOPD	2,700BOPD	UMUSETI	Marginal Field	Umusati			
NIGER DELTA	2,500BOPD	2,500BOPD	2,500BOPD	OGBELLE FIELD	Marginal Field	Ogbele			
BRITANNIA U	2,200BOPD	2,200BOPD	2,200 BOPD	AJAPA FIELD	Marginal Field	Ajapa			
PLATFORM	2,100 BOPD	2,100 BOPD	2,100 BOPD	EGBEOMA FIELD	Marginal Field, JV	Egbeoma			
SHEBAH	2,000BOPD	800BOPD	2,000BOPD	OML 108	Sole Risk	Ukpokiti			
DUBRI	200BOPD	200BOPD	200 BOPD	OML 96	Sole Risk	Gili Gili			
SAPETRO	NIL	26,250BOPD	175,000BOPD	OML 130	Sole Risk	Akpo Field (Deepwater)			
FAMFA	NIL	25,000BOPD	250,000BOPD	OML 127	Sole Risk	Agbami Field (Deepwater)			
NIGER DELTA WESTERN	NIL	6,000BOPD	13,000BOPD	OML 34	JV	Ughelli, Warri River			
OANDO ENERGY RESOURCES	NIL	5,025BOPD	27,580BOPD	OML 125, EBENDO	PSC, Marginal Field	Abo Field(Deepwater)			
FIRST HYDROCARBON NIGER A	NIL	4,950BOPD	11,000BOPD	OML 26	JV	Ogini			
EXPRESS PETROLEUM	NIL	1,200BOPD	2,000BOPD	OML 108	Sole Risk	Ukpokiti			
ATLAS PETROLEUM	NIL	315BOPD	450 BOPD	OML 109	Sole Risk	Ejulebe			
SUNTRUST	NIL	1,950BOPD	13,000BOPD	UMUSADEGE	Marginal Field	Umusadege			
ORIENTAL ENERGY	NIL	NIL	35,000BOPD	EBOK	Sole Risk	Ebok			
Frontier Oil commenced production of gas on December 29, 2012 and is producing 35MMscf/d									
*Niger Delta Petroleum Resources delivers 25MMscf/d of gas from the Ogbele field to the Nigerian Liquefied Natural Gas(NLNG) system.									
The company expects the gas plant to spew more condensate and thus increase its current hydrocarbon liquids production from 2,500BOPD									
**With the Supreme Court Ruling, Famfa is legally entitled to lift 150,000BOPD, but it hasn't started and it is not clear if the Nigerian state will allow it.									
THOSE EXPECTING PRODUCTION RESUMPTION OR FIRST OIL/GAS IN 2013									
SAHARA ENERGY FIELDS	NIL	NIL	NIL	OPL 274, Tsekelewu	Sole Risk Marginal Field				
PRIME ENERGY	NIL	NIL	NIL	Assaramatoru	Marginal Field				
SOGENAL	NIL	NIL	NIL	Akepo	Marginal Field				
BICTA ENERGY	NIL	NIL	NIL	Ogedeh	Marginal Field				
ARE THEY NIGERIANS? ARE THEY NOT? (Operators listed on exchanges in Europe/America. Their ownership /funding is foreign but they have strong local leadership/management)									
AFREN	51,000BOPD	43,000BOPD	51,000BOPD	OML 112 largely, EBOK	Sole Risk, Okoro, Ebok				
MART RESOURCES	13,000BOPD	6,500BOPD	13,000BOPD	UMUSADEGE	Marginal Field Umusadege				
SEVEN ENERGY	NIL	N/A	N/A	OMLs 4, 38, 41, Uquo, Stubb Creek	JV, Marginal Field Ovhor				

HYDROCARBON PRODUCTION IN AFRICA BY FOREIGN INDEPENDENTS OPERATING ON THE CONTINENT



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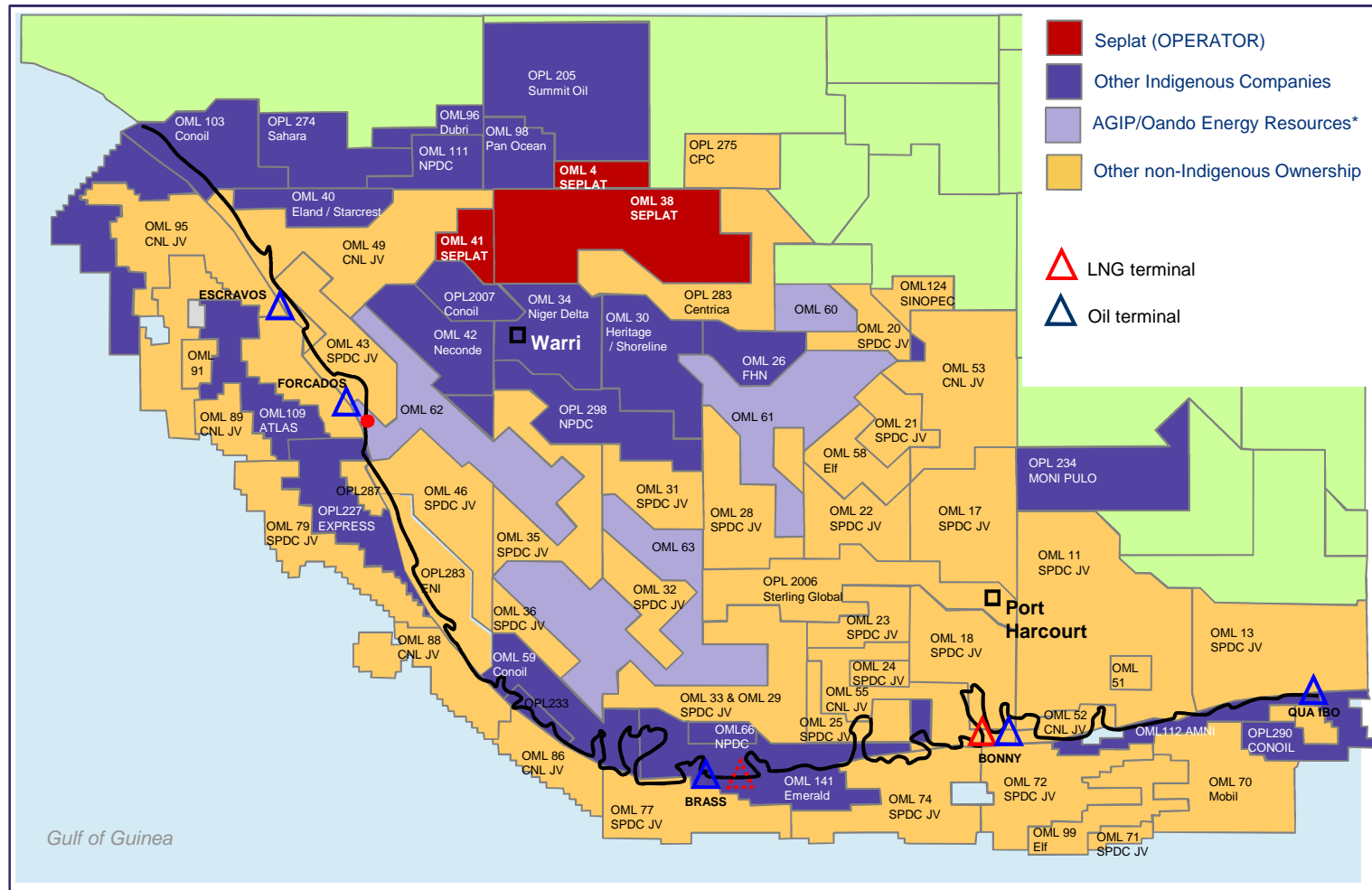
HYDROCARBON PRODUCTION IN AFRICA BY FOREIGN INDEPENDENTS OPERATING ON THE CONTINENT

COMPANY	COUNTRY OF ORIGIN	BOURSE	AFRICAN PRODUCTION	WORLDWIDE PRODUCTION	AFRICAN PRODUCING COUNTRIES
APACHE CORP	UNITED STATES	NYSE	158,712BOEPD	779,000BOEPD	EGYPT
SINOPEC ADDAX	CHINA/SWITZERLAND	SWISS	135,000BOEPD	175,000BOEPD	NIGERIA, CAMEROON, GABON
PERENCO	FRANCE	PRIVATE	101,100BOEPD	175,000BOEPD	GABON, C'ROON, CONGO, DRC, EGYPT, TUNISIA
CONOCOPHILLIPS	UNITED STATES		94,000BOEPD	1,578,000BOEPD	LIBYA, NIGERIA, ALGERIA
ANADARKO	UNITED STATES	NYSE	83,000BOEPD	730,000BOEPD	ALGERIA, GHANA
HESS	UNITED STATES	NYSE	75,000BOEPD	406,000BOEPD	EqGUINEA, LIBYA, ALGERIA
NOBLE ENERGY	UNITED STATES	NYSE	72,000BOEPD	245,000BOEPD	EqGUINEA
TULLOW OIL	UNITED KINGDOM	LSE	57,850BOEPD	79,200BOEPD	GHANA, GABON, Cote d'IVOIRE, EqGUINEA,
AFREN	UNITED KINGDOM	LSE	43,000BOEPD	43,059BOEPD	NIGERIA, COTE d'IVOIRE
OMV	AUSTRIA		40,700BOEPD	303,000BOEPD	EGYPT
DANA GAS	UAE	DUBAI	36,160BOEPD	63,531BOEPD	EGYPT
KOSMOS	UNITED STATES	NYSE	16,600BOEPD	16,600,000BOEPD	GIANA
M&P	FRANCE	PARIS	15,057BOEPD	15,688BOEPD	GABON
M&P NIGERIA	FRANCE	NYSE Euronext	11,779BOEPD	11,779BOEPD	NIGERIA
RWE Dea	GERMANY	Deutsche Borse	4,583BOEPD	84,153BOEPD	EGYPT
DANA PETROLEUM	UNITED KINGDOM	LSE	12,000BOEPD	57,200BOEPD	EGYPT
MART RESOURCES	CANADA	TSE	5,039BOEPD	5,039BOEPD	NIGERIA

Figures quoted are the companies' average daily production for 2012

Increasing ownership of onshore acreage by indigenous companies (Nigeria)

- Since early 1990s the government of Nigeria has encouraged local participation in the oil & gas sector initially through discretionary Awards
- Nigerian companies predominantly featured in the oil licensing rounds in 2000, 2005, 2006 and 2007, bidding for onshore and offshore acreage, and current policies are expected to continue to provide support for this trend
- Additionally, recent divestments from onshore assets by the IOCs to focus on offshore operations have benefited the indigenous players
- Indigenous companies (ex-NNPC/NPDC) now account for approximately 6% of crude produced in Nigeria



(* Oando Energy Resources' economic interest in the assets is subject to completion
 SPDC: Shell Petroleum Development Company
 CNL: Chevron Nigeria Limited

CAPACITY BUILDING

- ❑ **Divestment by IOCs (Nigeria)**
- ❑ **Other countries: government rounds have also opened up opportunities**
- ❑ **Raising own finances and growing indigenous technical competence.**
- ❑ **From Carried Interest to Operatorship- AMNI, SHEBAH**
- ❑ **From Marginal Fields to Acquisitions**
 - Platform / Seplat, NPDR & WSP/ND West.
- ❑ **Marginal Fields Program a huge success**
 - 8 Operator/producers, only 2 TP's
 - 2 more closely behind.
 - 5-fold reserve growth in BOE.
 - A new group of serious players to build on.
- ❑ **20% domestic production capacity (Crude Oil & Gas) by end of 2016 now looks achievable**



Why Indigenous Participation?

- **Contribute to the nation's production / reserve build-up aspirations.**
- **Fill some critical value gap.**
- **Participants benefit as they build their businesses through value creation.**

IMPACT OF THE INDEPENDENTS

- ❑ **Growing numbers of indigenous technical expertise and business entrepreneurs**
- ❑ **25 Indigenous oil companies contribute about 10% of Nigeria total production of 2.5 million bpd – STILL GROWING.**
- ❑ **Breaking new grounds and integrating value:-.**
 - Monetisation of gas.
 - Small scale refining.
 - Better able to handle local communities.
- ❑ **Projections:**
 - Next 5 years Indigenous companies will contribute 20% of the nation's oil and 40% of domestic gas supply (Nigeria).
 - They are likely to be responsible for 100% supply for domestic refining by 2020.

WHERE ARE THE WIN-WINS?

- ❑ **Unlock Small-Sized Reserves.**

- ❑ **Feed the Domestic Market.**

- ❑ **Long-term domestic energy security will come from indigenous companies**
 - LPG (NDPR, Energia & Platform).
 - Natural Gas (Seplat, ND West & NPDC).
 - Refining (Dangote as frontier investor).

Success Story (The SEPLAT Example)

“To be a world class energy company delivering premium value to all stakeholders”



Four Key Factors of These Successes (The SEPLAT Example)

- **Solid Corporate Governance & Best Practices**
 - Experience & Diverse Board
 - Strong Management Team and High Ethical Standards
- **Partnership & Stakeholder Value Creation**
 - The SEPLAT Community Engagement Model
 - Pro activity
 - Capacity Building & Empowerment
 - Inclusiveness / Participatory relationship
- **Clearly Defined Achievable Growth Strategy – The Winning Strategy**
 - Organic Growth
 - Accretive Acquisition
 - Gas Commercialisation
- **Verifiable Proven Track Record – Not by Chance**

SEPLAT in the COMMUNITY



SEPLAT BASE OFFICE, SAPELE



GMOU SIGNING CEREMONY

SEPLAT in the COMMUNITY

SKILL ACQUISITION



SAFE MOTHERHOOD



EYE CAN SEE



WATER PROJECTS



SEPLAT PEARLS QUIZ



CHALLENGES

- ❑ **Security risks and political tensions.**
- ❑ **Export pipelines and theft factor**
- ❑ **Lack of enabling business infrastructure**
- ❑ **Access to Finance & Cost Of Capital**
- ❑ **National Governments**
 - Policy Inconsistencies / uncertainties
 - Provision of enabling institutional, legislative and security conditions
 - Clear deliverables
 - Clear policy guidelines on processes and monitoring.

Conclusion...

- ❑ **Indigenous Independent companies will increasingly continue to play significant roles:-**
 - Increasing oil production and reserves
 - building local capacities and expertise.
 - Improving economies

- ❑ **More access to Assets by the Independents**
 - Bid rounds anticipated
 - IOCs divestments & Asset rationalization

- ❑ **Collaboration between independents and National oil companies**
 - Shared values/objectives
 - Win/win partnerships as part of the process
 - Clear policy guidelines on processes and monitoring

References

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- Crude Continent – Duncan Clarke, 2008

Thank you for your attention