



SIERRA LEONE AWARDS OFFSHORE PETROLEUM CONCESSIONS TO CLUFF ENERGY AFRICA AND INNOSON OIL & GAS

MACAULEY, BANGURA & CO.

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Introduction

Although rumors abounded about the existence of oil and gas potentials in Sierra Leone pre the 1980s, the history of oil and gas exploration is said to have actually commenced with two rounds of exploration in the offshore sectors of Sierra Leone and Liberia. A total of nine wells were drilled offshore in Sierra Leone and Liberia. All nine wells were plugged and abandoned with do drill stem test conducted. Both Sierra Leone wells were drilled on the inner shelf in water depths of less than 100m. The wells however penetrated a significant reservoir thickness of oil and oil/gas prone source beds. The Sierra Leone wells were drilled by MOBIL and AMOCO and named MOBIL [Mobil A1] and AMOCO [Amoco A1-2] in 1984 and 1985 respectively. The petroleum directorate which is a creature of The Petroleum (Exploration and Production) Act No. 7 of 2011 has just successfully concluded the fourth offshore petroleum licensing round resulting in the evaluation of six (6) applications for offshore

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petroleum concessions, evaluation of same and two provisional awards to **CLUFF ENERGY AFRICA** and **INNOSON OIL & GAS** respectively.

Legal Framework

The legal framework for the industry is founded in The Petroleum (Exploration and Production) Act No. 7 of 2011 and the Petroleum (Exploration and Production) (Amendment) Act No. 2 of 2014. The principal legislation invests all rights of ownership in and control of petroleum in its natural state in, under or upon any land in Sierra Leone in the Republic of Sierra Leone notwithstanding any right of ownership or otherwise that any person may possess in and to the soil or water in, under or upon which petroleum is found or situated. There is also established by the Act the office of a Minister that shall be responsible for the general management of the petroleum resources and the administration of The Petroleum (Exploration and Production) Act No. 7 of 2011. The “Minister” is defined in the Act as the “minister responsible for the management of petroleum matters and until the establishment of a ministry with responsibility for petroleum matters, the person appointed by the President to oversee the administration of the Act and all aspects of petroleum resources management and the ministry shall be constructed accordingly.” The Act also established the Petroleum Directorate, the object of which is to monitor petroleum operations in Sierra Leone. It is also charged with (a) assisting in the assessment of prospective holders of petroleum rights for the purposes of prequalification pursuant to the Act, (b) reviewing of proposed reconnaissance exploration and appraisal work plans, plans for development and operation and decommissioning plans submitted by holders of petroleum rights, as the case may be and make recommendations to the Minister, (c) review budgets submitted by a holder of petroleum rights in respect of a work programme and make recommendations to the Minister, (d) participate in the measurement of petroleum to allow for assessment of royalty and bonuses due to the State, (e) ensure that holders of petroleum rights uphold laws, regulation, rules and contract terms, (g) ensure optimal levels of recovery of petroleum resources, (h) promote well planned, well-executed and cost-efficient operations, (i) ensure optimal utilization of existing planned facilities, (j) contribute to national budgetary planning and control, (k) ensure the establishment of a central database of persons involved in petroleum operations, manage petroleum data and provide periodic updates and publications of the status of petroleum operations, (l) encourage, monitor and enforce the standards of operation and code of practice for petroleum operations, (m) review all tariffs for third party access to petroleum facilities and make recommendations to the Minister, (n) ensure that holders of petroleum rights comply with health,

safety and environmental standards, (o) ensure and facilitate access to and utilization of facilities by third parties, (p) monitor conditions of operators and their trade practices to ensure that competition and fair practice is maintained, (q) provide information relevant to the National Revenue Authority for the collection of taxes, royalties and fees from petroleum operations, (r) assess tail-end production and cessation of petroleum operations and decommissioning, (s) prepare an annual report on the status of petroleum activities in Sierra Leone, for submission to the Minister for further submission to Parliament and publication in the Gazette and in such other manner as the Minister may determine; and (t) perform any other function incidental or consequential to its functions under the Act.

Exploration History

The history of oil and gas exploration can be grouped into five distinct phases to date as follows; **Phase I** covering the 1980s on shallow continental shelf during which the MOBIL [Mobil A1] and AMOCO [Amoco A1-2] wells respectively were drilled in 1982 and 1985, **Phase II** covering the early 2000 which saw TGS NOPEC engaged by the Government of Sierra Leone to carry out geophysical mapping resulting in the acquisition of approximately 5,800 sq km of 2-D seismic data in 2000 and 2001 respectively and 3,200 sq km of 3D data in subsequent years, with **Phase III**, the then Head of State and President of the Republic, Dr. Ahmad Tejan Kabbah announced the opening of licensing round for offshore areas in April 2002 under the auspices of the Petroleum Resources Unit (PRU). The area was divided into seven blocks each of approximately 4,500 sq km. The very first four oil blocks were subsequently awarded in or about 2003 to three successful applicants namely, ORANTO Petroleum, 8 Investment and REPSOL. In **Phase IV**, the 2nd round of awards saw six petroleum blocks awarded through direct negotiations followed by relatively quite considerable activity by well-known players that was unprecedented in this part of the world in what was then and still is an emerging landscape. A consortium comprising of Anardarko, REPSOL and Tullow Oil acquired 3D seismic data and then subsequently proceeded to drill two wells. According to the PRU now succeeded by the Petroleum Directorate, the Venus B-1 well was drilled up to 18,500 feet in 5,900 feet of water. It encountered a 45 net feet of hydrocarbon pay proving a working petroleum system. The Mercury well encountered 135 net feet of hydrocarbon pay. The other players during this period were Talisman/Prontina, Lukoil/ORANTO, Young Energy Prize and African Petroleum.

In August 2012, an invitation for tender was announced by the Petroleum Directorate and this saw the award of nine more petroleum blocks, i.e. **Phase V**. Originally total of fifty-nine applications were received, reviewed and evaluated as follows and when all was said and done, nine companies emerged. The summary is as follows:

BLOCK No.1	No. of Applications	COMPANIES AWARDED
1.SL4A - 10	16	African Petroleum, KOSMOS Energy
2.SL 7A - 10	12	Elnilto Ltd, Signet Petroleum, Miexco
3.SL 7C - 10	4	Masters Energy
4.SL 8A - 10	13	Chevron Sahara, Noble Energy, ODYE
5.SL 8B - 10	10	Chevron Sahara, Noble Energy, ODYE
6.SL 9A - 10	2	GNBH Exploration
7.SL 9B - 10	1	GNBH Exploration
8.SL 10B-10	1	Varada Petroleum & Hydrocarbons
9.SL 10A-10	0	-

This period also saw Stena Drilling, a wholly owned subsidiary of Stena AB, Gothenburg's entrance into Sierra Leone as a contractor of Talisman and the deployment of the Stena Drillmax 6th generation ultra-modern drill ship.

The Petroleum Directorate has provided the following tabular exploration history for wells drilled in the Sierra Leone basin:

Well Name	Total Depth (M)	Location	Operator	Year	Remarks
Savannah - 1X	4737	offshore	Lukoil	2013	Discovery
Djembe -1	4660	offshore	Talisman	2012	Dry
Mercury - 2	5300	offshore	Anadarko	2012	Appraisal
Jupiter -1	6400	offshore	Anadarko	2012	Discovery (condensate)
Mercury - 1	4831	offshore	Anadarko	2010	Discovery (Oil and Condensate)
Venus B - 1	5600	offshore	Anadarko	2009	Discovery (Lean Gas)
A - 1-2	3659	shallow	Amoco	1985	Oil shows
A - 1	2438	shallow	Mobil	1982	Oil shows

Finally and with regards to **Phase V**, in March 2020, six sealed bids for offshore petroleum exploration concessions were opened at a brief ceremony at the Petroleum Directorate. By press release dated 29th April 2020 from Desk of the Secretary to the President, Office of the President of the Republic of Sierra Leone, it was announced that a detailed assessment focused on (a) technical and financial capability to implement deep water exploration projects, (b) favorable commercial terms, (c) capacity of health, safety and environmental programs, (d) commitment to local content requirements and (e) attractiveness of proposed social responsibility initiative was carried out. Following this assessment, the Government announced that as an initial option, Sierra Leone's open offshore petroleum acreages have been provisionally awarded to **CLUFF ENERGY** covering graticular blocks 23, 23, 25, 36,37, 38, 39, 54, 55, 56, 57, 74, 94 & 95 and **AFRICA INNOSON OIL AND GAS** covering graticular blocks 96, 97, 114, 115, 116, 117, 133, 134, & 135.

According to the report produced by the Petroleum Directorate on the conclusion of the fourth licensing round consultation full opening of Sierra Leone's offshore waters to tender, **“at the launch of the fourth licensing round, five licence areas were defined and gazetted. Consultation has highlighted that this rigid approach has not provided the Directorate with the flexibility it requires. To address this, and with the Republic's offshore waters now fully open to licensing (barring environmentally protected estuaries and a 5km coastal fisheries zone), the Directorate has decided to utilize a pre-defined graticular block framework. The size of each full block is 1,360km². Using this framework, applicants are invited to delineate their areas of interest by assembling multiple contiguous blocks. A licence application must cover an area which is equivalent to at least three blocks in size and may be made of a combination of whole or partial blocks”**. Clearly this new approach is at the center of the Petroleum Directorate's plan of action and vision for the industry in Sierra Leone and this coupled with a multiplicity of other variables akin to the industry may well be the game changer. Getech Group through its wholly-owned subsidiary ERCL is working in partnership with the Petroleum Directorate to enhance and promote exploration data pertaining to Sierra Leone's available oil and gas resources. In association with the Petroleum Directorate of Sierra Leone, it recently announced a suit of high quality (HQ) seismic well and reports data sets for Sierra Leone including data from the national technical data base and joint value added products.

The information provided herein contains a basic outlay of the history and evolution of the oil and gas landscape in Sierra Leone to date. Although the contents of the publication are correct, well researched and to the best of our knowledge, information and belief at the time of press true, readers are encouraged to seek further specific and or professional advice from the Firm before taking action on the basis of the opinions or facts expressed herein. We cannot accept any responsibility for any facts or errors that this brochure may contain whether negligent or otherwise or take responsibility for any loss or damage suffered by any person or business interest that relies on this publication. The Firm has hitherto advised among others ORANTO, LUKOIL, SENA Drilling, DELOITTE, ANDARDO and S. L. Exploration & Management GmbH in Sierra Leone with regards to their interest in the Oil & Gas Industry. The Firm has in this regard also worked with a number of international law firms such as Baker & Mckenzie LLP, CMS Cameron McKenna LLP and Akin Gump Straus LLP among others.

Contact details for further information

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