OIL&GAS JOURNAL

Libya awards 15 exploration blocks in licensing round

02/07/2005

Libya's National Oil Corp. (NOC), in its first licensing round since US sanctions were lifted last spring, has awarded 15 exploration permits to 12 non-European companies out of a field of 56 international operators that prequalified to participate in the auction.

More than 120 companies had applied for the auction acreage, which covers 126,646 sq km. Of the 15 blocks, 9 are onshore in the Ghadames, Sirte, Cyrenaica, and Murzuk basins, with 6 offshore.

The auction saw the return of US companies to the country after more than 18 years of absence following US economic and political sanctions since 1986. The high quality of Libya's light, sweet crude, which is ideal for gasoline production, and the relatively quick travel time to the US—about half the time it takes Saudi crude to arrive at Gulf Coast refineries—added to the interest of US companies in the auction.

Many companies bidding previously had worked in Libya prior to Libya's nationalization of oil properties.

Three US companies—Occidental Petroleum Corp., ChevronTexaco Corp., and Amerada Hess International Ltd.—won interests in 11 of the 15 permits. Other successful bidders hail from Australia, Algeria, India, Brazil, Indonesia, and Canada.

The winning production-sharing licensees will spend $298.7 million exploring the blocks, NOC reported, and will take shares ranging from 10.8% to 38.9% of oil and gas production found.

Libya, the holder of Africa's largest oil reserves and its second largest exporter after Nigeria, wants to attract $30 billion in investment to double its 1.5 million b/d production capacity of mostly high grade sweet crude to 3 million b/d before 2010 and plans to conduct a second auction in February, offering another 40 blocks.

Outside investment and exploration in the country had fallen as a result of Libya's nationalization of the oil industry in the 1970s and the US sanctions (OGJ Online, Nov. 3, 2004).

The awards

Oxy was the biggest bid winner, picking up five licenses with its UAE government-owned partner Liwa Energy Ltd., Abu Dhabi. Oxy and Liwa also will participate in another four blocks that Australia's Woodside Petroleum Ltd., Perth, will operate.

Oxy, with 90% interest, will operate Blocks 106 and 124 in the Sirte basin, Blocks 131 and 163 in the Murzuk basin, and Block 59 in the Cyrenaica basin. Liwa, a subsidiary of investment and development firm Mubadala Development, which the Abu Dhabi government owns, holds 10% of these blocks, which together cover an area of 38,700 sq km.

"We expect to begin our exploration work in these blocks as soon as possible, " said Ray R. Irani, Oxy's chairman, CEO, and president.

Woodside, Australia's second-largest producer of gas and oil, plans to spend more than $50 million exploring the four offshore permits it will operate—Blocks 35, 36, 52, and 53 in the Sirte basin. Woodside holds a 55% interest in the blocks, with partner Oxy holding 35% and Liwa 10%. Woodside said it has committed to a 5-year program that will include seismic work and the drilling of four wells. The four blocks cover 37,300 sq km in 100-1,500 m of water. Woodside said its blocks include "underexplored" frontier offshore acreage.

US companies Amerada Hess and ChevronTexaco also separately won an ownership license each. ChevronTexaco, which through its joint venture company Amoseas Libya was one of the largest acreage holders in Libya in the early 1970s, will solely operate Block 177 in the Marzouk basin south of Tripoli through its unit ChevronTexaco Libya Ltd., which holds 100% equity. Amerada Hess, which operated in Libya until 1986, was successful bidder to operate offshore Area 54 and holds 100% equity in it.

Other bid winners include Brazil's Petróleo Brasileiro SA (Petrobras) which will be operator on offshore Area 18 in the Mediterranean Sea. Area 18 is made up of four blocks having a total of 10,307 sq km in the northeastern segment off Libya in 200-700 m of water. Petrobras holds a 70% interest, and Oil Search Ltd., Sydney, 30%. The consortium will invest a minimum of $21 million for a 5-year exploration phase after which production rights will be shared with NOC during a 25-year period.

Oil India Ltd. (OIL), Duliajan, India, and its partner Indian Oil Corp. (IOC), New Delhi, won the right to explore onshore Block 86, a tract of 7,087 sq km in the Sirte basin. The two firms last month forged an alliance for joint ventures into oil and gas exploration and production in other countries.

OIL will be operator of the block. If oil is proven in the license areas, Libya will fund half of the exploration and development costs, the companies said. Under conditions of the license, OIL-IOC will receive 18.4% share of any future production from the block, with NOC receiving the remaining 81.6%.

Officials said OIL-IOC will bid for at least two licenses Libya proposes to offer in its second round later this month.

A 50:50 partnership of Canada's Verenex Energy Inc., Calgary, and PT Medco Energy International Terbuka, Jakarta, was the successful bidder for Area 47, a 6,187 sq km area in the Ghadames basin in northwest Libya. Verenex will be operator of this license.

And Algeria's national oil company Sonatrach is 100% equity licensee for Ghadames basin Area 65.

Bidding awards reportedly were based on the percentage share of production the bidder offered to NOC and the signing bonus the bidder was prepared to pay, a Libyan oil company official said.

The winning companies will carry out 3D seismic surveys on 2,850 sq km of prospective acreage and 2D surveys on 24,000 sq km and will drill 24 exploration wells.

1455 West Loop South
Houston, Texas 77027
(713) 621-9720