



National Oil Company Of Liberia

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Liberia Basin Competitive Bid Round 2014

Fact Sheet & Briefing Note

October 2014

Full bid details at: <http://info.tgs.com/liberia-basin-bid-round-2014>

On 5th August the Liberian Government announced a competitive bid round for four undrilled offshore petroleum exploration Blocks (LB-6, LB-7, LB-16 and LB-17) which were the subject of earlier bid rounds but which have again become available. The Bid Round will be open August 5 to November 14 2014.

1. Introduction and Reasons for the Bid Round

- Liberia has 17 offshore Blocks (LB01-17), of which 12 (including the four in the current Bid Round) have been previously awarded. The four blocks in the current Bid Round (LB-06, LB-07, LB-16 and LB-17) are vacant acreage being re-opened and re-allocated.
- The production sharing contracts for Blocks LB-16 and LB-17 were awarded in 2005. Anadarko and its partners in these two blocks, Repsol and Tullow, relinquished all their interest in 2012 and 2013 without drilling, and the blocks have therefore become available again.
- Blocks LB-6 and LB-7 were part of the Liberia Basin 2007/8 bid round. No production sharing contracts for those bid rounds ever became effective, and in 2013, NOCAL terminated discussions with the party (TongTai Petroleum) granted the opportunity to negotiate production sharing contracts for those blocks and declared the blocks available for a subsequent bid round. Blocks LB-06 and LB-07 have never been drilled.
- The current Bid Round will raise money for the country, and open the way for development of the vacated acreage, thereby increasing Liberia's prospects for commercial discovery and development. It also continues the modernization in the terms of Liberia's production sharing contracts begun in the recent Block LB-13 transaction, and is being done in a manner consistent with the draft petroleum law now before Liberia's Legislature.
- Liberia's new acreage (ie blocks not previously subject to a bid round: Blocks LB-1 through 5, and all ultra-deep blocks LB-18 through 30) are under a moratorium on licensing new acreage put in place by the Government in 2012 until the pending oil sector reforms are completed.

2. Bid Round Structure and Process

- The bid round has been structured to be transparent, competitive, and achieve maximum benefit for Liberia. It is being conducted by the National Oil Company of Liberia (NOCAL), with the assistance of Ernst and Young (EY) and TGS-NOPEC Geophysical Company (TGS).
- Qualified bidders will be evaluated on Signature Bonus and proposals to build local Liberian industry.
 - A. **Signature Bonus**

Bidders will be asked to bid on an upfront payment ("signature bonus") to be paid to the Government within a set number of days after their contract becomes effective.
 - B. **'Liberia-Ecowas Component': Local content for the Liberian economy**

Liberia is launching an innovative approach to develop Liberian companies that aspire to operate in upstream oil exploration or services. Liberia's domestic industry is undeveloped and requires

mentoring, support, and help from partners that have successfully developed local capability from a low starting point themselves. For that reason (in a world first), bids from groups that include a significant West African/ECOWAS upstream petroleum company that has committed to offer Liberian companies opportunities for mentorship and assistance will have their bids evaluated with a 20% uplift in their signature bonus proposal.

Such regional companies will be more understanding of the issues facing and needs of fledgling Liberian companies because they are more similar in size, background, and growth trajectory than the large, established international oil companies. The ultimate goal is to develop Liberian entrepreneurs who see the potential for local business around the oil sector and who will form the heart of a vibrant small and medium enterprise sector creating jobs in Liberia for Liberians.

3. Company Pre-Qualification

- NOCAL wants to ensure that winning bidders can effectively explore and develop Liberia's offshore acreage. This bid round therefore requires bidders or bidding groups to establish, prior to being allowed to bid, that they have verifiable technical/financial capacity. The pre-qualification requisites are set forth in NOCAL's bid invitation letter, and expressly require proof of capacity. Shell companies and companies without serious prior involvement in the offshore oil business will not be prequalified. As set forth in Section 5, below, pre-qualification submissions must be delivered to and reviewed by EY (formerly called Ernst & Young).
- International oil companies (IOCs) are given until October 24, 2014 to submit pre-qualification materials. Bidders or bidder groups will have to establish that they can conduct a competent, technically advanced deep water exploration program (technical capacity) and that they have, or have access to, the resources necessary to fund the complete exploration program (financial capacity). ECOWAS/Liberian entities must submit pre-qualification materials by October 31, 2014.
- The pre-qualification requirements permit the award to be given to an entity with the requisite technical capacity but not the financial capacity, if it can demonstrate a track record of bringing in entities with the financial capacity to fund a complete exploration program. Similarly, they would permit the award to be given to an upstream petroleum company with the requisite financial capacity but without deep-water experience if it can demonstrate a track record of bringing in competent operators to carry out deep water drilling programs. In either case, the contract will provide that it terminates if the award winner fails to bring in the required additional partner within a fixed time period. Liberia expects that this advanced qualification method will broaden the number of participants in the bid round.
- Bidders will pay a pre-qualification fee of USD \$15,000 but will not be required to pay any additional fee in order to bid.

4. Relationship of Bid Round Contracts to the New Petroleum Law

- The Executive and Legislative branches of Government have been working on the reform of the Liberian oil sector since 2012, recognizing that there is real potential in the oil sector, and preparing for it well before production may occur. The country hopes to have the right institutions and governance structures embodied in law before a commercial discovery is made.
- Since 2013 Liberia has been developing a new Petroleum Law to replace the Law of 2000 and finalize a raft of reforms that have been implemented in the sector. The new Law has been extensively debated within Liberia and the final law is expected to be enacted in late 2014/early 2015.
- The new law, which was drafted with the assistance of the World Bank and reflects input from both NGOs and IOCs, seeks to reflect best international practice, particularly in terms of maintaining strong Ministry of Finance control over the bulk of any revenues from future oil and gas production. A draft of the new law was submitted to the Legislature last year and is now pending before Liberia's House of Representatives. Because NOCAL anticipates that the new law will be adopted in substantially its current form, it has caused the production sharing contract for this new bid round (which is based on

the contract awarded for Block LB-13 in 2013) to set forth the duties of the winning bidders in a manner that conforms as closely as practicable to the requirements of the draft law.

- The moratorium on licensing new acreage issued by the Executive and Legislative branches in 2012 remains in place, and ensures that no new offshore acreage (offshore Blocks LB-01 to LB-05, and ultra-deep water Blocks LB-18 to LB-30) will be released before the new law is enacted.

5. Bid Round Team

- **NOCAL** is the state oil company of Liberia and is responsible under existing law for the conduct of bid rounds and the administration of all oil exploration and development agreements.
- **EY** has been retained to assist NOCAL in conducting a transparent, fair, and competitive bid round. EY has advised NOCAL on the structuring of the bid round, is assisting NOCAL in developing the fiscal model that was used to create competitive fiscal terms and will be used to evaluate bidder submissions, will receive, review and make recommendations to NOCAL with respect to pre-qualification submissions from prospective bidders, and will receive and open the bids received and provide NOCAL with EY's evaluation of the fiscal terms contained in each bid. EY's involvement in this bid round will help insure that companies are treated fairly and equally, that prequalification decisions are made on an objective basis, that all bids are disclosed to the public, and that the fiscal implications of each bid are fully understood by NOCAL.
- **TGS** is a world-wide company headquartered in Norway that provides global geoscientific data products and services to the oil and gas industry to assist with licensing rounds and the preparation of regional data programs. TGS has assisted NOCAL with its bids round since its original 2004 round and has a deep understanding of the geological prospectivity of the Liberia basin. TGS has advised NOCAL on the structuring of this new bid round, is assisting NOCAL in publicizing the bid round to prospective bidders, and will supply prospective bidders (under suitable confidentiality and licensing agreements) with the available seismic data for the four blocks on offer.

6. Liberia Basin Bid Round 2014 Timetable

The current bid round timetable is set forth below. Any changes will be announced on the NOCAL website.

Bid Invitation Letter issued to industry	Tuesday, August 5, 2014
Prequalification process	Open from August 6, 2014 through October 3, 2014
On-Line View-Only data access goes live	Thursday, August 7, 2014
Virtual and Physical Data Rooms go live	Monday, August 11, 2014
Preliminary 2014 PSC available	Monday August 18
Road Show 1 st Location – London	Tuesday, August 19, 2014
Road Show 2 nd Location – Houston	Thursday, August 21, 2014
Road Show 3 rd Location – Lagos	Tuesday September 23
NOCAL representatives available in Houston	Tuesday to Thursday, September 9-11, 2014
NOCAL Representatives available in London	(Tentative) Tuesday and Wednesday September 16 and 17
Final date for comments on Preliminary 2014 PSC	Friday, October 10, 2014
Estimated date for release of the Republished 2014 PSC	Tuesday, October 14, 2014

Final date for IOC prequalification submission	Friday, October 24, 2014
Final date for ECOWAS and Liberian participant prequalification submission	Friday October 31 2014
Final date and time for bid submission	3 PM, London time, Friday, November 14, 2014
Opening of bids received	10 AM, London time, Monday, November 17, 2014
Bid Evaluation	Estimated 7 days
Notification to winners	Estimated Monday November 24, 2014
PSC signing ceremony	Estimated Monday December 1, 2014
Ratification by the Legislature, signature into law by President and publication into handbills	Estimated Tuesday December 2, 2014 through Tuesday December 9, 2014
Payment of signature bonus and Award License fee (PSC Article 36)	Estimated Tuesday December 16, 2014

7. Map of Liberia Offshore

Blocks under current bid outlined in blue

