



## BP Pursues Namibia Crude Amid No Known Discovery of Oil: Energy

*By Brian Swint and Eduard Gismatullin - Apr 5, 2012 4:46 AM ET*

[BP Plc \(BP\)](#)'s push into Namibian oil makes it the only major producer expanding in the West African nation, where commercial crude deposits have never been found and the sole gas field has sat idle since its discovery in 1974.

BP last month became the largest shareholder in a block covering Namibia's Nimrod offshore prospect, which may yield the third-biggest discovery of 2012, according to Morgan Stanley. A week earlier, the oil producer said it would buy into [Serica Energy Plc \(SQZ\)](#)'s licenses in the country.

Robert "Bob" Dudley, chief executive officer of BP Plc, said "majors have overlooked a number of the biggest basins in the world." Photographer: Chris Ratcliffe/Bloomberg

The company snapped up permits in neighboring [Angola](#) last year on a bet that West Africa's coastal shelf may mirror that of [Brazil](#) across the Atlantic. Exploration off Namibia, where [14 wells](#) have been drilled out of about 15,000 across West Africa, has so far focused on the Kudu gas field, still untapped since its discovery as the partners clash over prices for the fuel.

BP's entry into the region follows the withdrawal of Chevron Corp. and Royal Dutch Shell Plc from Kudu, and allies the company with explorers a fraction of its size.

"BP has become very aggressive out here," said Paul Welch, chief executive officer of [Chariot Oil & Gas Ltd. \(CHAR\)](#), a partner in the Nimrod prospect. "It's become a hot area. If we make a discovery, it'll be like Ghana after Jubilee."

### Ghana Find

[Tullow Oil Plc \(TLW\)](#)'s [Jubilee](#) discovery in Ghana in 2007 unlocked as many as 700 million barrels of reserves and opened a new oil province. The project prompted Exxon Mobil Corp. and Cnooc Ltd., [China](#)'s largest offshore oil producer, to bid for stakes in the field.

"Majors have overlooked a number of the biggest basins in the world," BP CEO Bob Dudley said in October. In February, he said BP's focusing on exploration in Angola, the [Gulf of Mexico](#) and South America to counter falling output at older fields and expand reserves. The company declined to comment for this story.

[Namibia](#), a former German colony twice the size of that country, is the world's fourth-largest uranium producer, and its diamond mines operated by De Beers produce the highest-quality gems. Ranking 129th globally in terms of gross domestic product per capita, the nation's \$13 billion economy is equivalent to only 60 percent of BP's 2012 investment plans.

"Namibia is one option that could open up a new basin" for BP, said Theepan Jothilingam, an analyst at Nomura Holdings Inc. in [London](#). "In reality, none of the super-majors are there yet. There is this chase for new acreage."

## **Arcadia, Falkland Oil**

Smaller companies have snapped up this year's two most prospective discoveries, according to Morgan Stanley. London-based [Falkland Oil & Gas Ltd. \(FOGL\)](#) is preparing to tap the Loligo resource, southeast of the Falkland Islands, while closely held Arcadia Petroleum Ltd. is drilling at Namibia's Delta prospect.

Namibia has also attracted [Etablissements Maurel & Prom \(MAU\)](#), a French explorer, which said March 15 it picked up two licenses in the country's Walvis basin.

At Nimrod, the chance of success is put at 24 percent by Chariot, showing a willingness by BP to drill long-shot prospects in untapped areas after many of the biggest finds in recent years went to its competitors.

[Petroleo Brasileiro SA \(PETR4\)](#), which sold a 20 percent stake in Nimrod last month to BP, discovered Brazil's Tupi field in 2007, the biggest find in the Americas in 30 years. Tullow's Jubilee was West Africa's largest offshore discovery in a decade.

The waters running along the west coast of Africa may hold 75 billion barrels of resources, according to U.S. Geological Survey research from 2010 and 2011, which didn't cover Namibia.

## **Kudu Gas**

Namibia, sandwiched between Angola, [South Africa](#) and Botswana, has no proven oil reserves. Tullow and its partners at the Kudu field, which holds more than 1 trillion cubic feet of gas, plan to start pumping the fuel to generate power this year.

"The Kudu project continues to be our highest priority," Tullow Exploration Director Angus McCoss said March 14. "It's a big development license and there is exploration potential still to be pursued in the future in Namibia."

Chariot is the third-largest holder of exploration acreage in the country after Brazil's [HRT Participacoes em Petroleo SA \(H RTP3\)](#) and Canada's [Eco Atlantic Oil & Gas Inc. \(EOG\)](#), according to the nation's Mines and Energy Ministry.

It's a "promising new frontier of oil and gas," said Gil Holzman, CEO of Eco Atlantic. New technology allows the company to "unlock its deepwater potential and gain a better geological understanding of the Atlantic off West Africa."

Holzman and Chariot's Welch describe Namibia as investor-friendly, evidenced by the successful mining operations of companies such as Rio Tinto Plc and De Beers.

## Tapir, Nimrod

Chariot is set to start drilling the Tapir South prospect in April, targeting 600 million barrels of resources. Nimrod, where it expects to drill this year, is prospecting about 5 billion barrels. The company also plans to explore blocks in northern Namibian waters, just south of discoveries in Angola.

"This is a fairly effective way of entering a prospective area," said [Peter Hutton](#), an analyst at [RBC Capital Markets](#) in London. "Namibia was conspicuously absent from BP's last exploration presentation. That's probably because they didn't want to highlight it to anyone else."

[Cobalt International Energy Inc. \(CIE\)](#) said Feb. 10 it found a 1,180-foot (360-meter) column of oil off Angola, sending the company's shares up 33 percent that day and adding \$3 billion to its market value. Parts of Africa's Atlantic coastline may mirror the geology of Brazil, where billions of barrels of oil were discovered in the past decade under a layer of salt. BP bought Brazilian assets from Devon Energy Corp. for \$3.2 billion in 2010 to break into offshore exploration in the country.

## Serica Surveys

In Namibia, BP is footing the bill for seismic exploration at Serica's blocks, paying an amount equal to Serica's valuation just a couple of months ago, said Serica Chairman Tony Craven Walker. Serica is valued at about 57 million pounds (\$91 million), compared with 44 million pounds in early February. It acquired the blocks in January after more than 18 months of talks with the government.

"Some people say there's nothing there, some say it looks like Brazil," Craven Walker said in an interview in London. "If I were BP, I'd rather have this as an option than have to come in late."

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