

INTERVIEW

I Am Optimistic About the Future Results of Exploring Mauritania's Major Potential,

Saad Cheikh Saad Bouh, Managing Director of the Société Mauritanienne des Hydrocarbures, tells AOG

- ▶ The offshore **Chinguetti** field is expected to come to the end of its productive life around 2019
- ▶ The **Banda** natural gas discovery is scheduled to enter production in late 2015 or early 2016
- ▶ Six to seven **exploration wells** were due to be drilled in Mauritania in 2013, but some of them could slip to 2014
- ▶ Our 2012-2017 development plan stresses **exploration** and **oil services**. Eventually, we would like to become an **operator**

[Following is the text of an interview with Mr. Saad Cheikh Saad Bouh, Managing Director of the **Soci t  Mauritanienne des Hydrocarbures** – SMH – since 17 August 2011 (see following page for his biography). The interview took place in Hammamet on 20 September, during the third *Tunisia Oil and Gas Summit – TOGS*.]

AOG: *What are the current priorities of the Soci t  Mauritanienne des Hydrocarbures (SMH)?*

■ **Saad Cheikh Saad Bouh:** These priorities are a function of our vocation. The company was founded in 2005 to accompany the development of the offshore **Chinguetti** field and to prepare for becoming the country's national oil company. SMH is an integrated oil company, whose activities range from exploration to marketing and include oil services.

AOG: *So SMH is not an integrated upstream to downstream company?*

■ **S.C.S.B.:** We can cover processing, hence refining, and storage. On the other hand, we do not have the vocation of handling the distribution of refined products.

Furthermore, the 2011 **Hydrocarbon Code** and the new model exploration-production contract (EPC) provide for SMH to be a partner, with a 10% stake (carried by its partners), in all new contracts during the exploration phase. In addition, we will represent the state in licenses, fields and platforms.

AOG: *You referred to the Chinguetti field, which enabled your country to become an oil producer. What is its current rate of output?*

■ **S.C.S.B.:** It is running at around 8,000 barrels a day.

AOG: *What are the short-term prospects for the field's production?*

■ **S.C.S.B.:** Output is expected to stabilize at the current level, which was reached two years ago. The field is expected to come to the end of its productive life towards 2019.

AOG: *Chinguetti was a major disappointment, as its production plunged very quickly after it came on stream and since then output has been maintained at levels that are far below the plateau rate envisaged by Woodside.*

■ **S.C.S.B.:** That is true, but it has to be pointed out that this taught us an important lesson. The field resulted in our country being talked about as a potential oil producer, which led foreign companies to invest in exploration. It is not wholly negative, therefore.

AOG: *Why has there been such a big difference between the forecasts and the reality in the case of this field?*

■ **S.C.S.B.:** The geology of the subsoil was not very well known, the analysis of the seismic data was not sufficiently accurate, and hence the development plan was not very suitable.

AOG: *Several other discoveries besides Chinguetti have been made in the coastal basin, but they have not been developed up to now. What is the situation today?*

■ **S.C.S.B.:** Nine fields, including Chinguetti, have been discovered in the coastal basin. **Petronas** took over from Woodside, which further delayed the process of appraising the discoveries. The state has thus taken control of things and assigned the fields concerned to various foreign operators.

WHO'S WHO	<p>➤ Saad Ould Maayniye Ould Cheikh Saad Bouh Managing Director of the Société Mauritanienne des Hydrocarbures (SMH)</p>
	<p>Date and place of birth: 20 March 1963 at Zouerate. Diploma: In computer engineering from the Ecole Nationale des Sciences de l'Informatique (ENSI) in Tunis. PROFESSIONAL EXPERIENCE Since 17 Aug., 2011: Managing Director of SMH. 1 June 2009 to 16 Aug. 2011: Managing Director of the Société Mauritanienne de Services et du Tourisme (Somasert), a subsidiary of the Société Nationale Industrielle et Minière (SNIM). 1 June 2006 to 31 May 2009: Head of the procurement department of SNIM. 27 Jan. 2006 to 31 May 2006: Assistant purchasing and logistics director of SNIM. 1 Aug. 2004 to 31 Jan. 2006: Head of computing for the development of the Chinguetti oil field (Société Mauritanienne des Hydrocarbures from 5 Oct. 2005 onwards). 29 Aug. 2002 to 31 July 2004: Head of computing and organization at the Universal Access Agency (Agence d'Accès Universel). 16 April 2002 to 31 Aug., 2002: Managing Director of Dar Al Computer. 1 Jan. 1993 to 15 April 2002: Head of systems and computer operations at SNIM. 1 Nov. 1987 to 31 Dec. 1992: Head of computing projects at SNIM. OTHER EXPERIENCE</p> <ul style="list-style-type: none"> ▶ Representative of SNIM on the national commission for the supervision of the liquid hydrocarbons contract (2006-2009). ▶ Participant on behalf of SNIM in the work of the computing committee of the Comité de Transport des Chemins de Fer Maghrébins (CFTM). ▶ Total quality trainer and moderator of several quality groups and circles. ▶ Quality assurance trainer and correspondent, and reference auditor for the ISO 9002 standard. ▶ Responsible for several quality assurance audits carried out in all the departments of SNIM.

The **Banda** gas discovery has already been declared commercial and the development plan has been validated. The field is scheduled to enter production in late 2015 or early 2016. The Banda field will provide fuel for the power sector. The operator, **Tullow Oil**, is also responsible for evaluating the prospects for developing the **Tevet** and **Tiof** fields, and the company has to submit a declaration of commerciality to the Mauritanian authorities within an agreed time if it thinks this is the case. If not, the blocks concerned will be returned to the state. It is important to point out that a precise deadline has been set for each discovery.

The other five discoveries are in the process of being evaluated by the operators concerned.

AOG: *Apart from the coastal basin, the other interesting zone in terms of hydrocarbon potential is the **Taoudenni** basin. An important well is being drilled on Block **Ta7**, which is held by a consortium led by **Total**. What is the situation as regards that well?*

■ **S.C.S.B.:** The Mauritanian sector of the Taoudenni basin covers an area of about 500,000 sq km and only three wells have been drilled in that very large region to date, not counting the one being drilled by Total, to which you have just referred. The French company operates three concessions in the basin, including Blocks **Ta7** and **Ta8** under the terms of a production-sharing contract that was concluded before the current Hydrocarbon Code was adopted, so SMH is not a party to it during the exploration phase. But for the time being this well is proceeding as expected and on schedule.

AOG: *Can you give us any details about the **exploratory drilling** program going ahead in your country?*

■ **S.C.S.B.:** As regards the Taoudenni basin, two wells were due to be drilled in 2013, one by Total and the other by **Repsol**. This last company is waiting for Total to complete its well, since it is going to utilize the same drilling rig. As for the coastal basin, five or six wells were planned this year, in particular by Tullow Oil, **IPG** and **Dana Petroleum**. Some of these wells could slip back to 2014.

AOG: *SMH is associated with **Sonatrach**, through **Sipex**, in the exploration of three blocks in the Taoudenni basin. What is the timetable for their work program?*

■ **S.C.S.B.:** We are in the second exploration period, and the work obligations include the conduct of a seismic survey. This is due to get under way any day.

AOG: *Still in the Taoudenni basin, SMH is associated with another national oil company from a North African country, the **Entreprise Tunisienne d'Activités Pétrolières** (ETAP).*

■ **S.C.S.B.:** SMH and ETAP have concluded an agreement in principle, but this has not given rise to the signing of a firm contract. The revolution in Tunisia contributed to delaying progress towards that, and in the meantime Mauritania's Hydrocarbon Code has been modified, making it necessary to resume negotiations.

AOG: *Is ETAP still interested?*

**ETAP remains interested
in jointly exploring
the Taoudenni basin**

■ **S.C.S.B.:** We raised this issue with ETAP recently, and the company told us that it remained interested in this joint exploration project in the Taoudenni basin.

*AOG: Have you concluded **cooperation agreements** with other national oil companies in the region?*

■ **S.C.S.B.:** A memorandum of understanding (MOU) has been signed with the **Office National des Hydrocarbures et des Mines** (Onhym) in Morocco. It covers technical cooperation but also envisages the possibility that SMH and Onhym might jointly apply for exploration licenses.

A cooperation contract was also concluded between the SMH and the **Gambian National Petroleum Company** (GNPC) that covers areas of cooperation ranging from exploration to development and including capacity building and the exchange of data.

*AOG: Are you optimistic about the **results of future exploration operations** in Mauritania?*

■ **S.C.S.B.:** I am optimistic, and there are four essential reasons for that:

- Mauritania's considerable potential, which still remains very under-explored.
- Exploration technology has advanced a lot, which opens up possibilities for discoveries that did not exist before.
- In addition to large multinationals such as Total and Repsol, medium-sized companies are showing an interest in Mauritania and they have demonstrated in various countries around the world that they are very active and very reactive. I am thinking in particular of Tullow Oil, **Kosmos Energy** and **Dana Petroleum**, which have made significant discoveries in West Africa.
- The 2011 Hydrocarbon Code provides very strong incentives.

AOG: Can you explain the nature of those incentives in the Hydrocarbon Code?

■ **S.C.S.B.:** There are four provisions of the Code that seem to me to be particularly interesting in that respect:

- The 10-year **exploration period** is divided into three phases, but operators can divide up those three phase as they wish, which gives them greater flexibility. A company could choose, for example, five years, then three years and two years, while another may choose four years, then three years and three years.
- The **sharing of oil revenues between the state and foreign companies** is fairer for the two sides, since it is now indexed on a profitability factor and not on the level of production any more.
- The rate of **tax** ranges from a floor to a ceiling, which makes it possible to hold negotiations within that band.
- **SMH is involved from the exploration phase** in all new contracts, which is to say those concluded since the Hydrocarbon Code took effect at the end of 2011.

AOG: *Have you any suggestions for reforms in this area?*

■ **S.C.S.B.:** The new Hydrocarbon Code is recent and we have to concentrate on its application. In any event, we have not observed any particular problems since the end of 2011, since this Code has brought progress in terms of transparency, relations with operators, and the conservation of our resources. Before that, in the first decade of this century, there were some weaknesses in the management of upstream contracts.

AOG: *What in your view are the most important developments for SMH in the coming years?*

■ **S.C.S.B.:** The development plan that SMH has drawn up for the 2012-2017 period confirms that our priority is **exploration**. Eventually we would like to become an **operator**. Our plan also emphasizes **oil services**. There is strong demand for these services in our country, whereas supply is limited. Furthermore, this activity represents a major potential added value for Mauritania.

AOG: *In what way could SMH develop its oil services business?*

■ **S.C.S.B.:** It would probably be through a dedicated department within the company. After that, it would not be out of the question for it to be spun off as a subsidiary. In any event, we would have to team up with competent foreign partners.

AOG: *As far as playing the role of operator is concerned, what timeframe does SMH consider realistic for that?*

■ **S.C.S.B.:** We think that objective could be achieved around 2025.

AOG: *You are a national oil company, so the state is your sole shareholder. Do you enjoy good and stable relations with your supervisory authority?*

■ **S.C.S.B.:** Our relations with the **Ministry of Petroleum, Energy and Mines** are very good. The new Hydrocarbon Code clarified the roles and responsibilities of each side. We are the adviser to the Ministry on all technical questions.

AOG: *Do you think it would be useful for Mauritania to organize an **international exploration bid round**?*

■ **S.C.S.B.:** The current Hydrocarbon Code requires the issue of a tender before any license is granted. The practical problem is that we do not yet have sufficient technical data, especially seismic, for a licensing round to be likely to attract potential bidders. That is the reason why the Ministry of Petroleum, Energy and Mines asks the government systematically for a special dispensation from this provision in order to be able to negotiate with an operator.

**We could envisage the
organization of an exploration
bid round in the near future**

A project for establishing an oil database is currently being implemented, which would enable us to consider organizing exploration bid rounds in the near future.

AOG: *What are you planning to do to speed up the **seismic coverage** of your national territory?*

■ **S.C.S.B.:** Seismic surveying is essential, since without that one cannot identify prospects, so drilling is not possible. In 2012 the government signed an agreement with **Dolphin Geophysical** for the conduct of a speculative seismic survey at the level of the coastal basin. Other seismic surveys could also be considered.

**The coastal basin
has not yet given
up all its secrets**

AOG: *Does the coastal basin still have interesting potential?*

■ **S.C.S.B.:** Despite the nine discoveries that have already been made, the large number of blocks that have been assigned and the presence of several operators, the coastal basin has not yet given up all its secrets. We now want to interest ourselves in the **ultra-deep offshore**.

