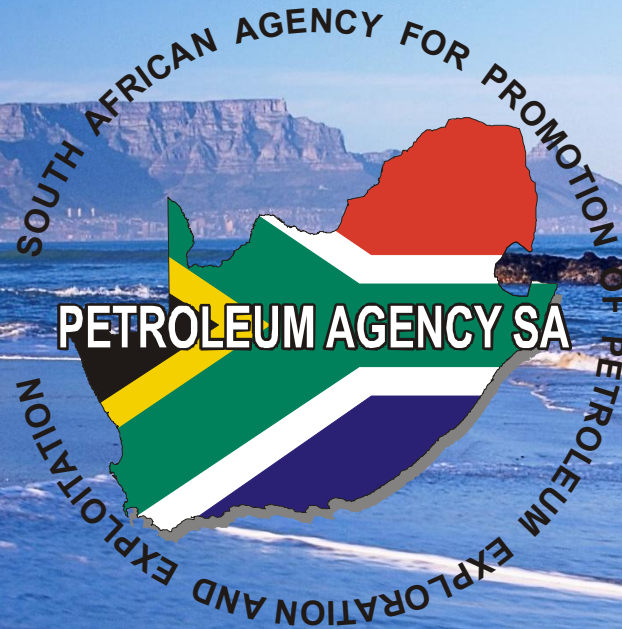


SOUTH AFRICAN UPSTREAM

An Introduction



Mthozami R Xiphu
CEO - Petroleum Agency SA
Presentation to Oil & Gas Indaba
11 August 2010

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Outline

- **Role of Petroleum Agency SA**
- Permits and Rights
- Fiscal framework and applications
- Petroleum Exploration and Production activities



Petroleum Agency SA is based in
Cape Town, South Africa.

It is a **government agency**
reporting to the **Minister of**
Mineral Resources, the Hon. Ms
Susan Shabangu.

Regulator, Licensing Agent or
Concessionaire – roles are more
than this



Minerals and Petroleum Resources Development Act (No 28 of 2002) and accompanying regulations



The Mineral and Petroleum Resources Development Act formalises the role and responsibilities of the Agency

1. Promotion of exploration and development (oil and gas in South Africa)

- National archive for oil and gas exploration and production data
- Appraise potential
- Promote exploration and development
- Raise awareness of petroleum resources at national level



The Mineral and Petroleum Resources Development Act formalises the role and responsibilities of the Agency

2. Regulatory functions

- Receive applications for rights and permits
- Appraise technical programmes
- Approve environmental programmes
- Manage contracts - compliance



MPRDA - Designated agency

section 71

- **Petroleum Agency appointed: June 04**
 - Promote onshore & offshore exploration & production
 - Receive, evaluate and recommend award of applications
 - Monitor compliance
 - Maintain and add value to data-base
 - Acquire reconnaissance data
 - Review, evaluate and recommend approval of EMP
 - ANY OTHER FUNCTION: eg ECSCP



Delegated responsibilities

Petroleum Agency SA

- Approval of Reconnaissance Permits and Technical Cooperation Permits
- Recommendation to Ministry regarding approval of Exploration Rights
- Approval of Environmental Management Programmes
- Recommendation regarding amendment of work programmes
- Approval of pecuniary provisions – e.g penalties for non-performance



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Permit types:

- Reconnaissance permit
- Technical Co-operation permit



Reconnaissance Permit

section 74

- Allows company to undertake reconnaissance surveys – e.g spec seismic, geochemical etc.
- Valid for 12 months
- Not transferable
- Not renewable



Technical Co-operation Permit

section 76

- Allows for exclusive study of area
- Valid for 12 months
- Not transferable
- Not renewable
- Has exclusive right to apply for Exploration Right



Rights:

- Exploration right
- Production right



Exploration Right

section 79

- Exclusive right to explore for petroleum
- Exclusive right to produce petroleum (tests)
- Is transferable
- Must use it or lose it
- For initial period of 3 years followed by 3 periods of 2 years each (9 years in all)
- Has the exclusive right to apply for a Production Right



Production Right

- Exclusive right to produce petroleum
- Is transferable
- For initial period of 30 years renewable for a period of a further 30 years



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South Africa's Fiscal and Investment Framework

1. Annual exploration fee
2. Royalties
3. Income tax
4. State participation



Annual Exploration Fee

- Linked to area of Exploration Right
- Levied annually, escalates in line with CPI
- onshore – R1/hectare, R1000 minimum
- offshore - R200 000/sq degree pro rata, R50 000 minimum



Royalties

Mineral and Petroleum Resources Royalties Act
0.5 – 5% on profitability, through formula applied
to operating costs and gross sales
in year of assessment



Income Tax

- Section 10 of the Income Tax Act
- capped at 29% (currently 28%)
- All expenditure and losses deductible
- a further 100% of capital in exploration and 50% in production



State Participation (Production Right)

20 %

10% - state through PetroSA

10% - HDSAs, commercial terms



Other Provisions

- Guarantee for availability of sufficient funds for exploration & production
- All data to the state (confidential = 4years)
- Social & labour plan (production)
- Environmental management plan
 - Financial provision
 - Self performance assessments



Fixed time frames

- To evaluate acceptance of application (as complete, valid application)
 - 14 days to accept / reject
- Once accepted
 - 14 days to advertise for objections
 - 30 days to respond



Fixed time frames

- For a reconnaissance permit
 - Must submit Environmental Management Programme within 30 days (I&AP's)
- For an exploration right
 - Must submit Environmental Management Programme within 120 days
- For a production right
 - Must submit Environmental Management Programme within 180 days



Time frame for approvals

- Minister must approve EMP within 120 days of lodgment
 - Time includes consultation with all government departments, I&AP, regional development committee.



Outline

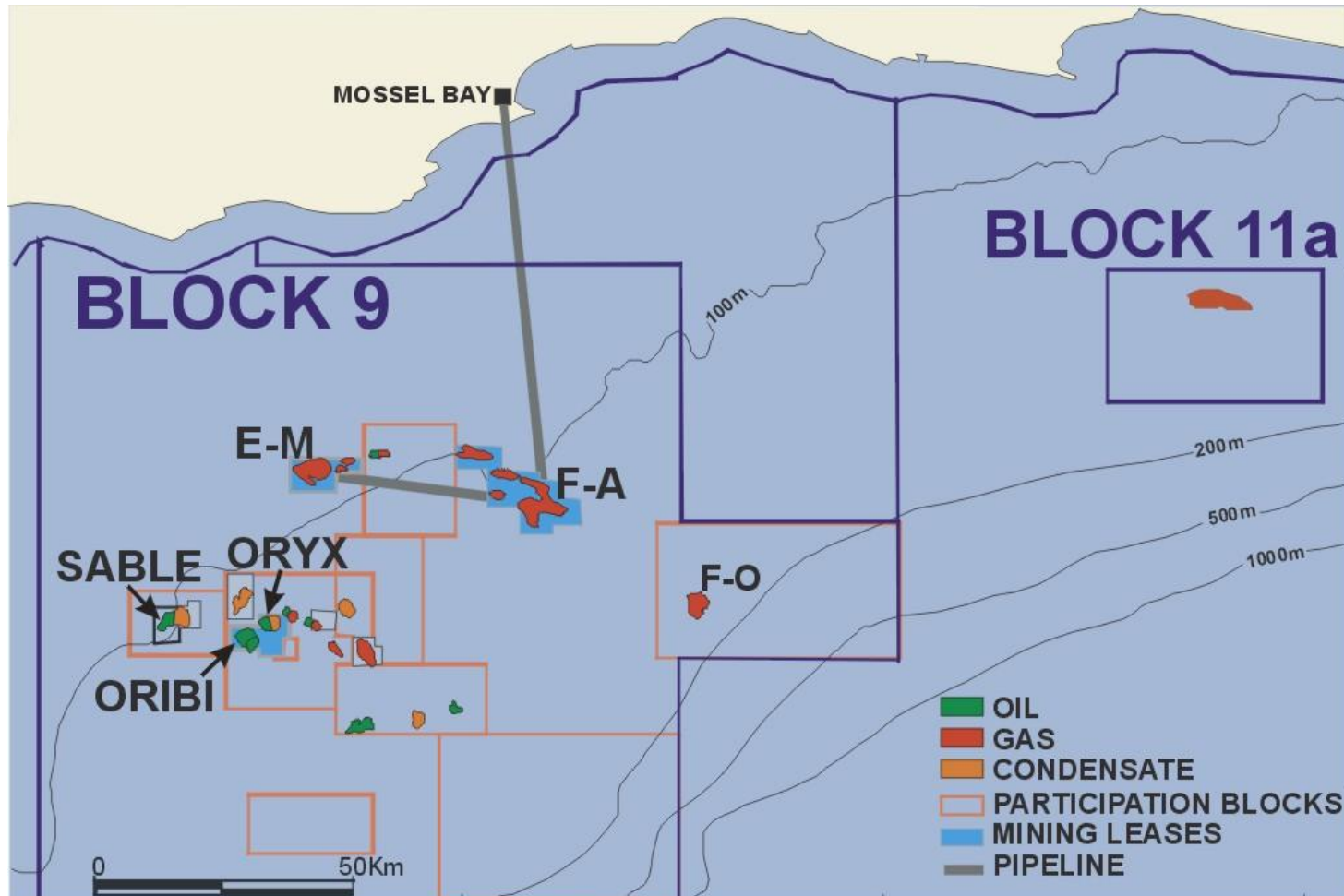
- Role of Petroleum Agency SA
- Permits and Rights
- Fiscal framework and applications
- **Petroleum Exploration and Production activities**



South African oil and gas basins



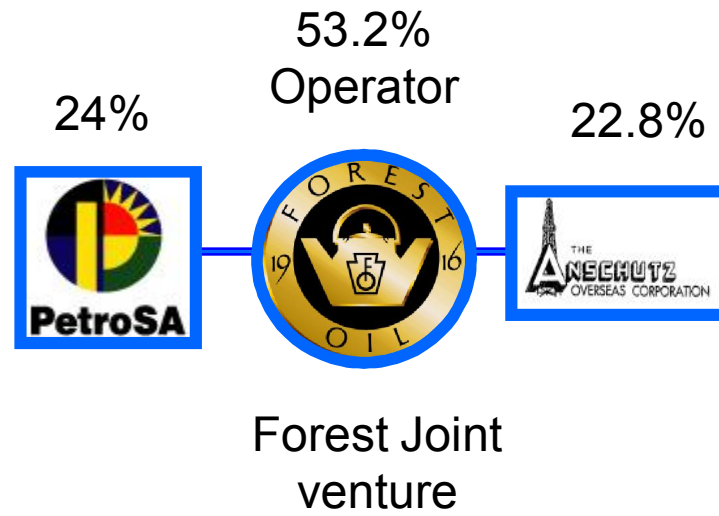
Current production - Block 9 (PetroSA)



Future Production

- Forest Oil International and JV partners
- West Coast geological basin
- Stranded gas
- Gas market development phase





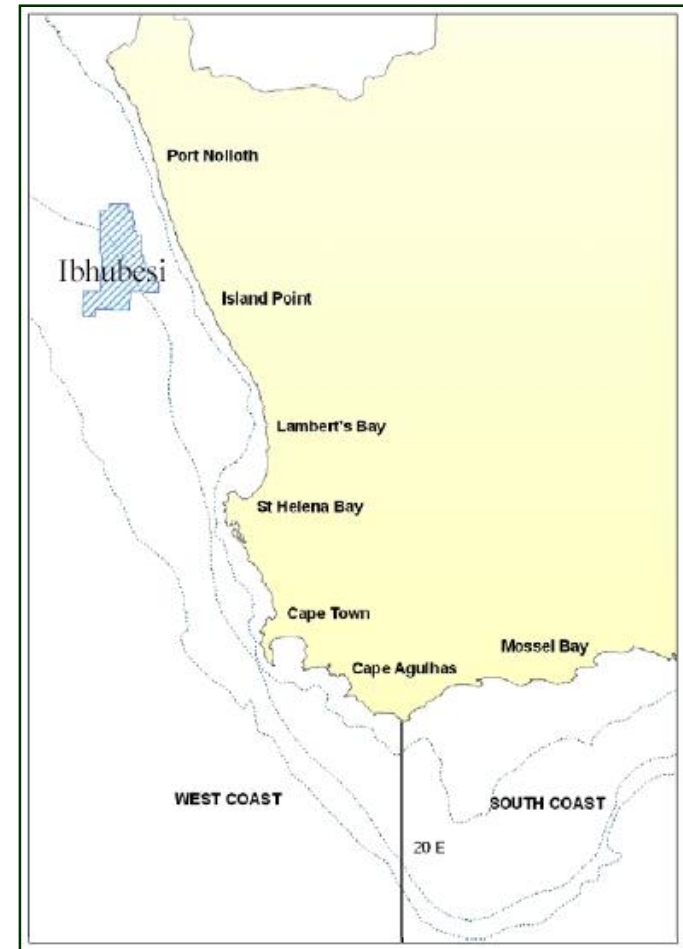
Ibhubesi gas field A-X1

Test of channel complex sandstones



Ibhubesi Gas Field

- Ibhubesi Gas Field - 380 km north west of Cape Town.
- Production Right Area covers 5000 km².
- Developed in four phases - 99 wells.
- US\$ 3 to 4 billion – 20 yrs.
- 2011 Initial flow - 100 MMCFD.



Exploration activity

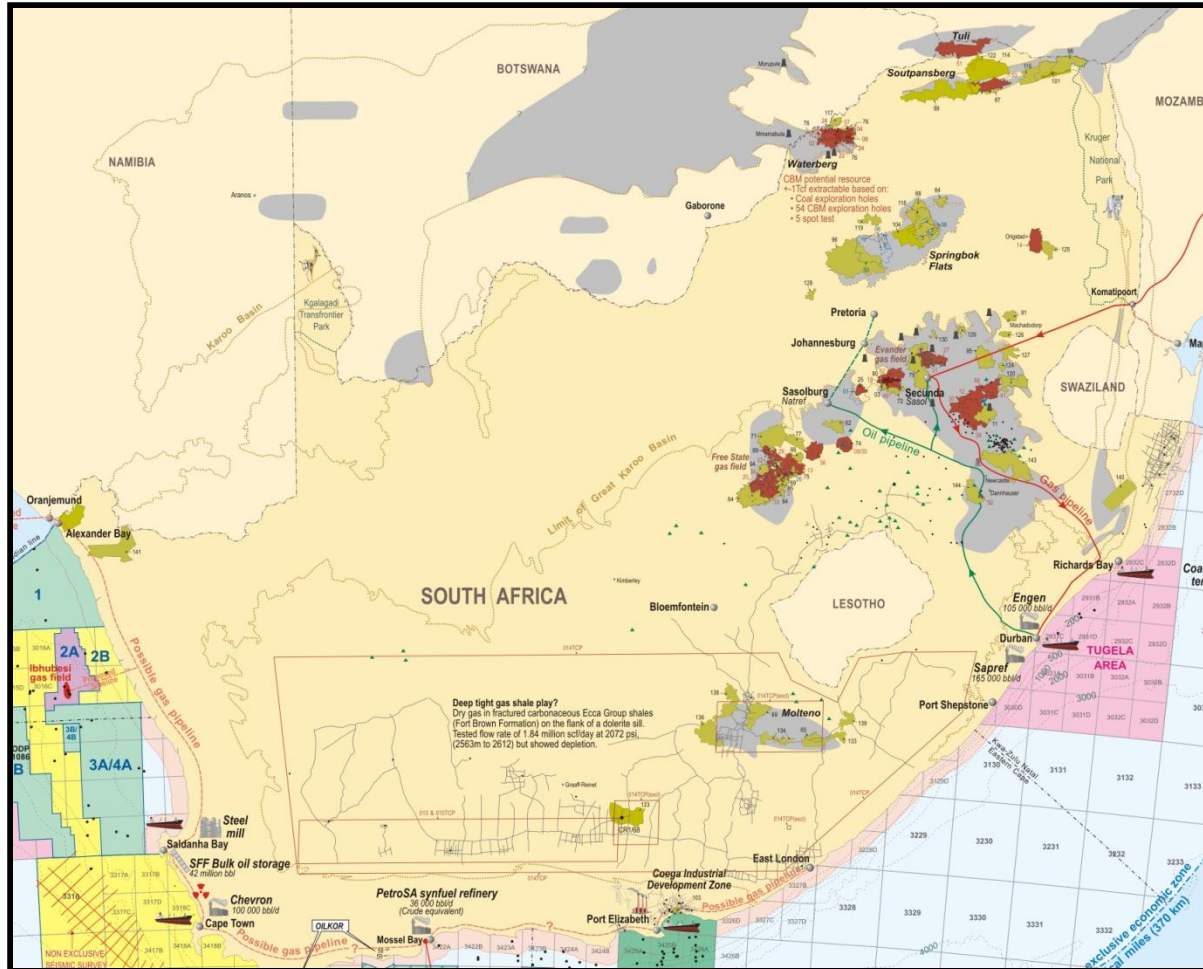
- Coalbed Methane – Northern Karoo coal basins
- Deep basin gas - goldfields
- Shale gas – southern Karoo Basin
- Conventional oil and gas – offshore basins

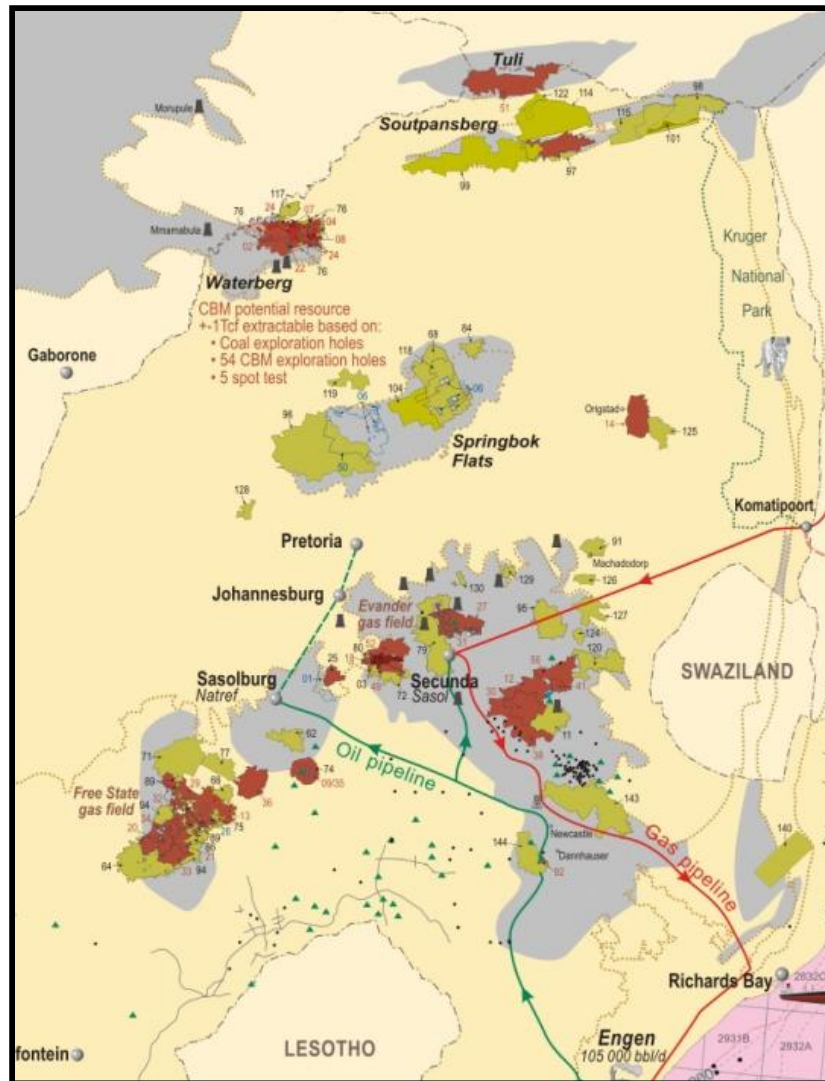


rights and rights:
non-exclusive
months, exclusive desk-top study, exclusive right to
table, 3 years, renewable for a maximum of
table, 30 years, renewable.



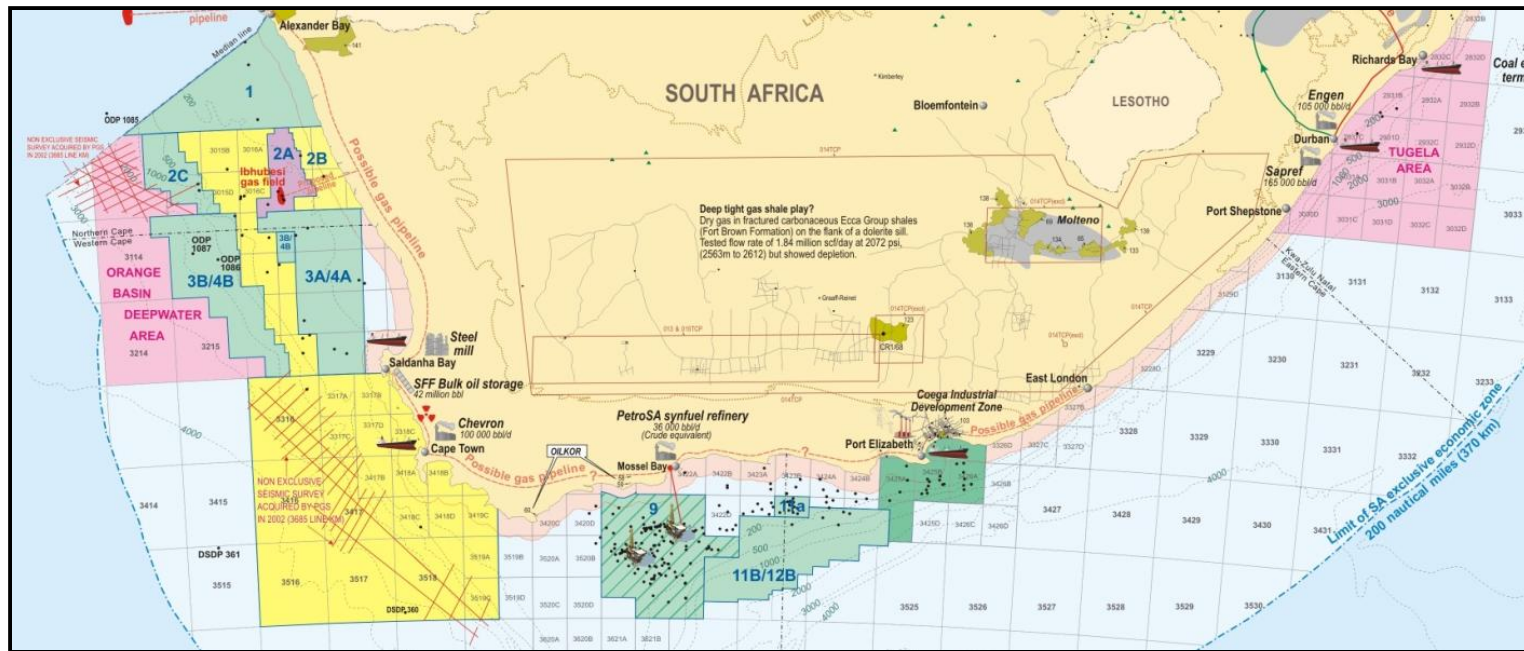
Onshore activity in the last year



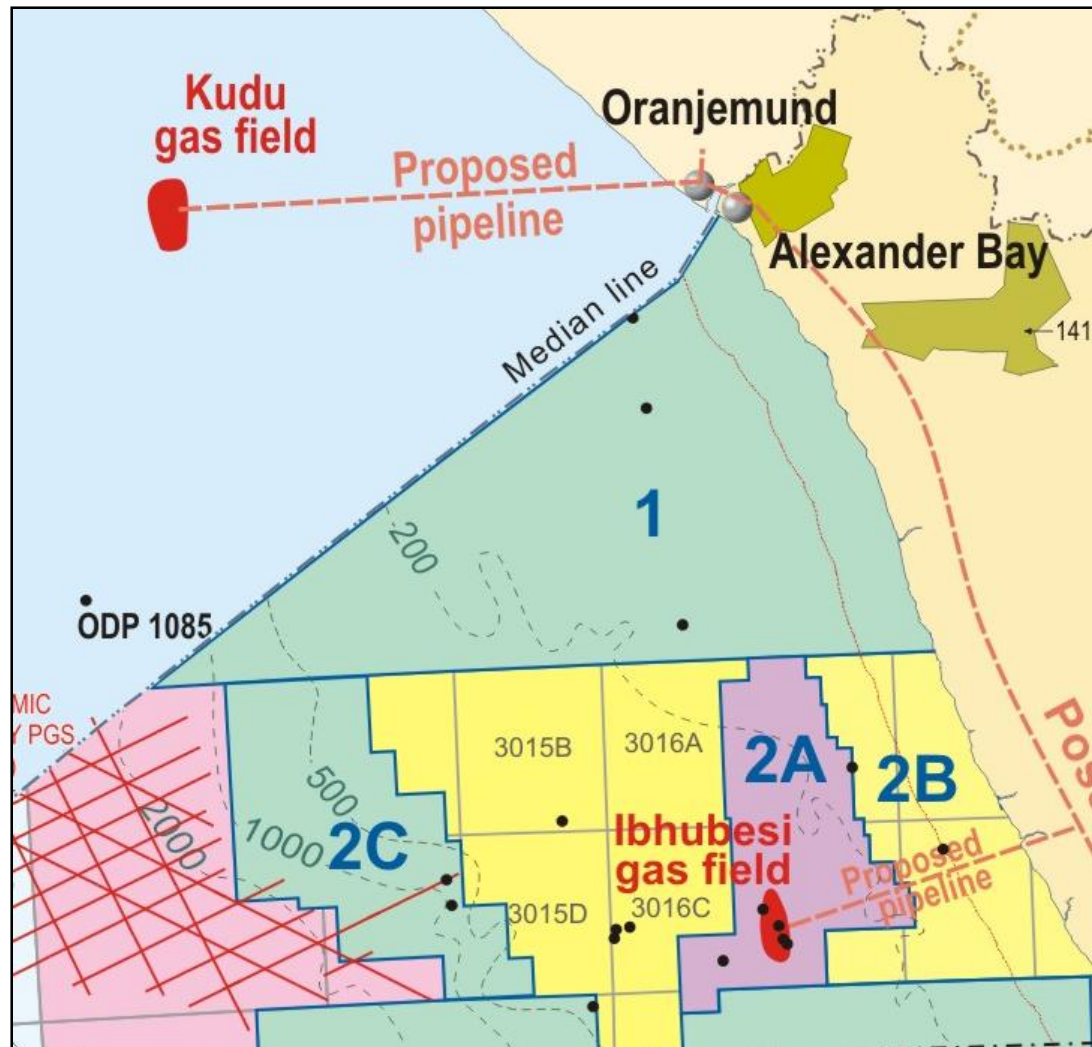


Early stages of
Coal Bed
Methane
exploration
~ 130 wells
60 applications in
process
40 active
Exploration Rights

Offshore activity



Northern Orange Basin



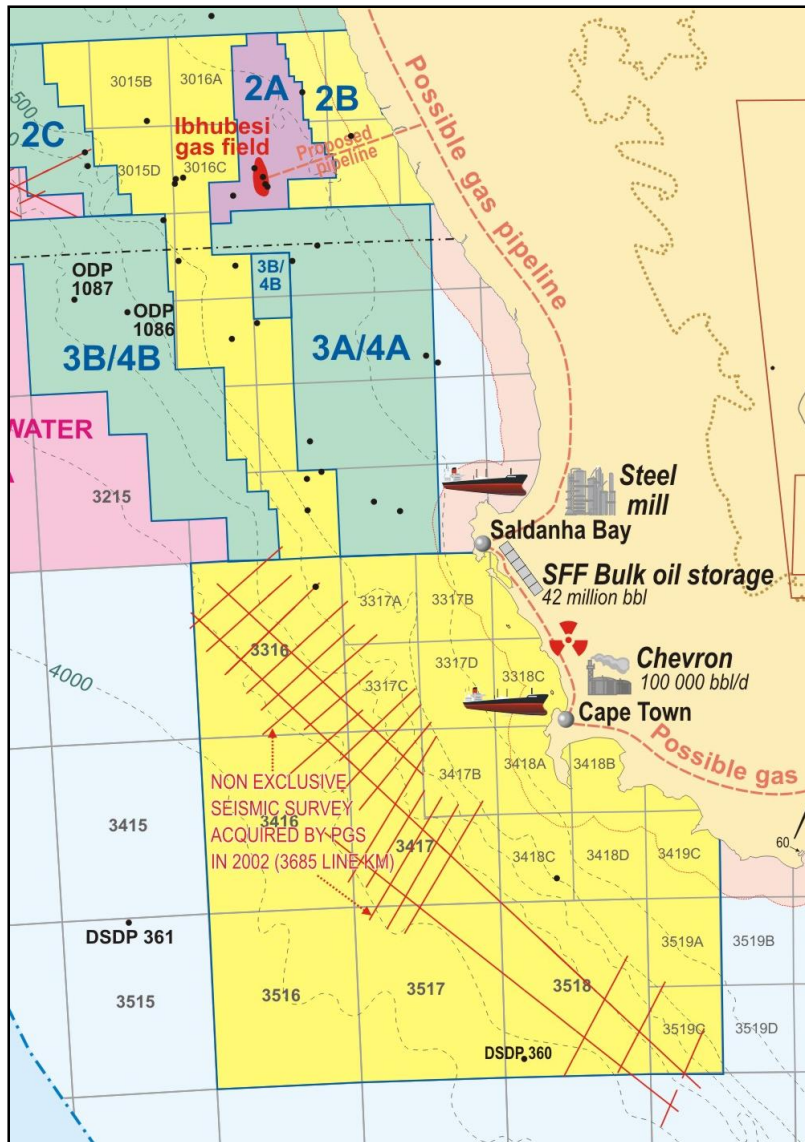
Block 1 – PetroSA
Exploration Right
1500km² 3D

2B – QVD completed
TCP, application for
Exploration Right

2A – Forest
International JV
Production Right



Central and southern Orange Basin



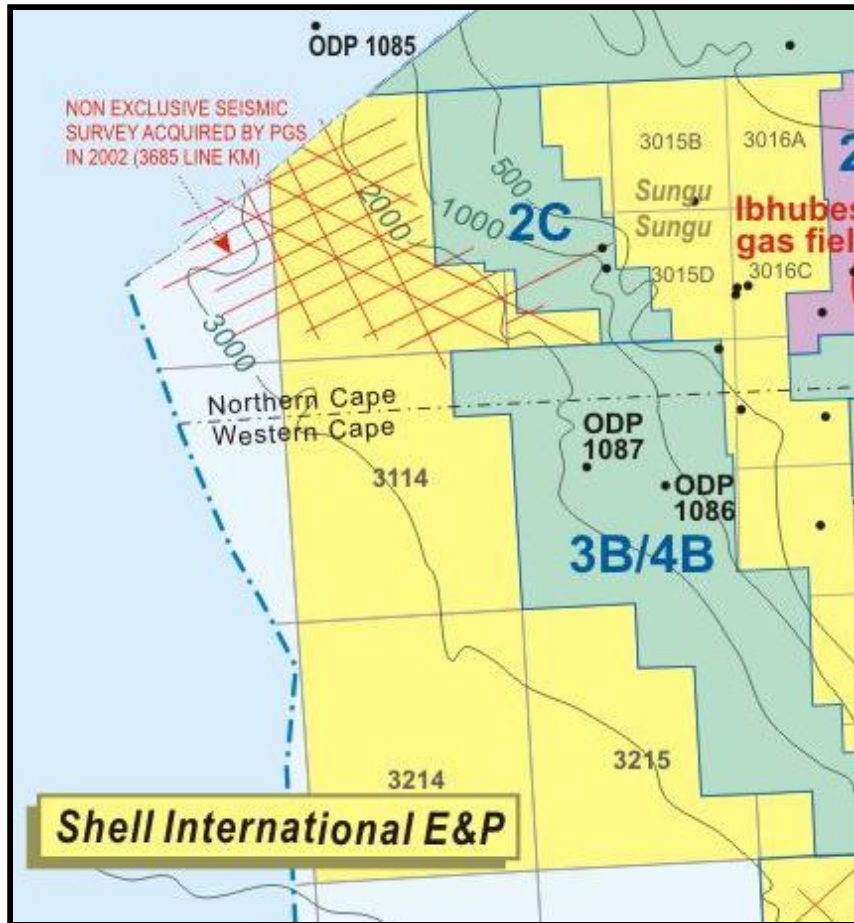
BHPBilliton –
Exploration Rights, gas
and oil exploration

Southern Basin –
PetroSA 2nd TCP

Central Basin –
Sungusungu – TCP



Western Orange Basin



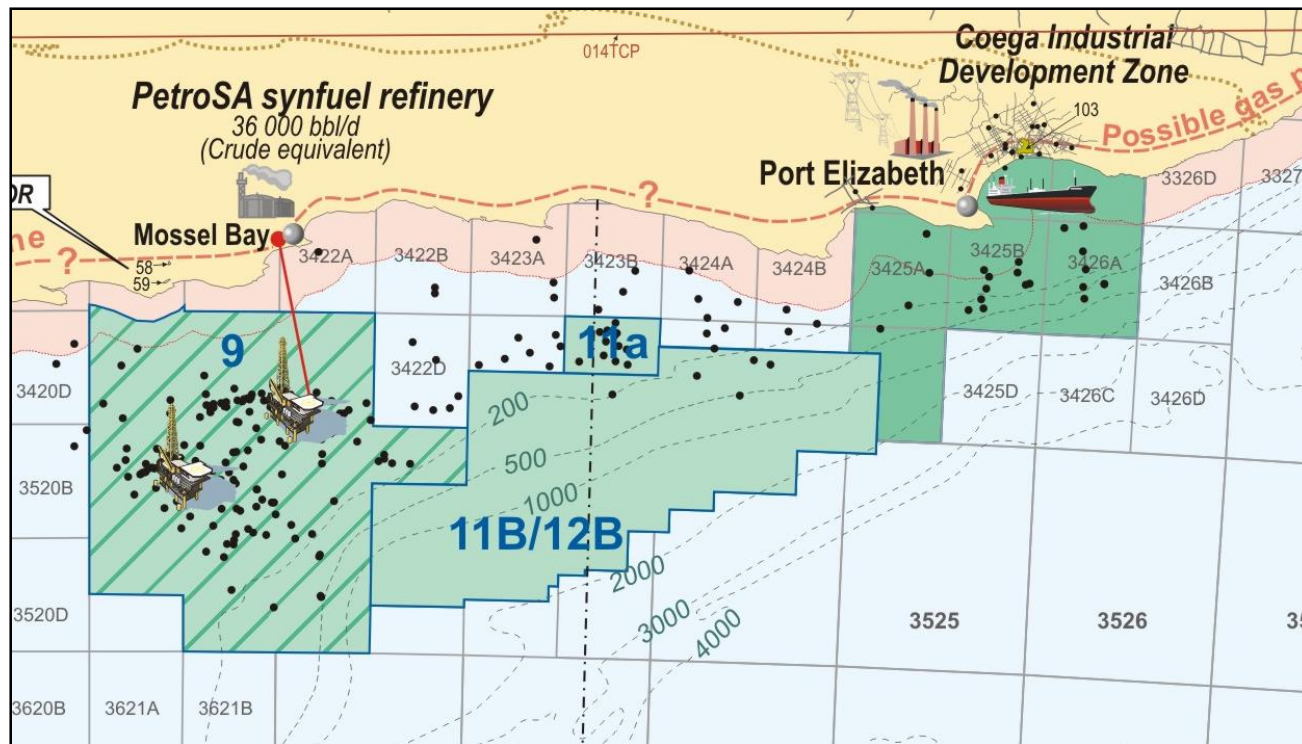
2009 License Round – Shell International E and P

Exploration Right application

- Very deep water
- Minimal data



South Coast

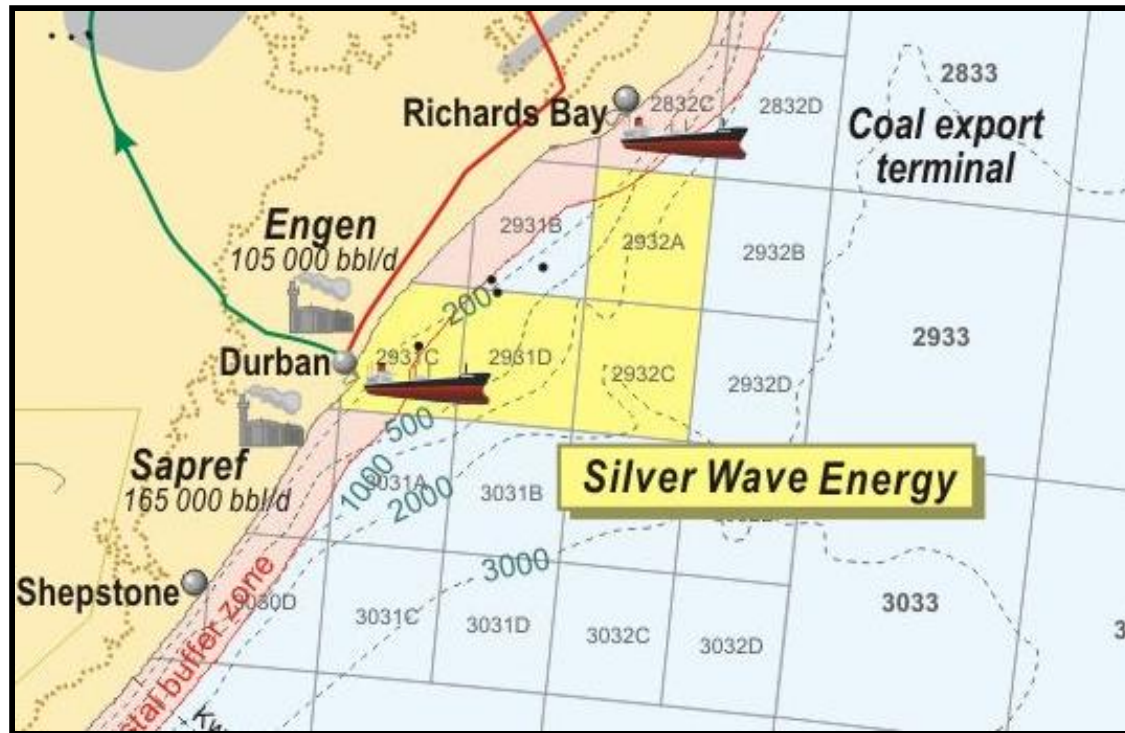


Block 9 – appraisal of F-O gas field

Algoa and Gamtoos – New African Global Energy TCP



East Coast



2009 License Round – Silver Wave Energy

Exploration Right application

- Shallow to deep water
- New data required



