

New oil firm enters Uganda, another set for licensing

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KAMPALA. The government yesterday issued an exploration licence for the Kanywataba oil block in Ntoroko District to Australian junior exploration company, Armour Energy Ltd.

The company, founded in 2009, now joins France's Total E&P and China's Cnooc already licensed to operate in Uganda.

The latter two have between them been awarded four production licences and are shuttling back and forth with various technical designs in preparation for commercial oil production, which according to government, should get out by 2020.

Armour Energy Ltd is among the four prospective oil firms that reached the last round in Uganda's competitive licensing round which was opened in February 2015 by the Ministry of Energy.

A total of 17 firms responded to the ministry's request for qualification, but only 16 submitted proposals with four reaching negotiation stage.

Energy ministry Permanent Secretary Robert Kasande told a news conference yesterday in Kampala that \$2.4m (about Shs8.5b) was collected in fees from the firms during the respective stages.

At the same conference, Energy minister Irene Muloni issued exploration licence for the Kanywataba block measuring about 344 Km² and also signed Production Sharing Agreement (PSA) with Armour Energy Ltd.

A PSA is a commercial contract between a government and investors detailing terms and conditions of prospecting, exploration and extraction of a mineral resources from a specific area over a specified period of time.

"My ministry received clearance from Cabinet, ministers of Finance and Justice to enter into this agreement. This signing ceremony marks the successful conclusion of Uganda's

first competitive licensing round," she said.

Ms Muloni said the exploration licence issued for Kanywataba will run for four years split into two years each, during which Armour will undertake acquisition of seismic data and drilling at one well.

An advisory committee chaired by officials from the Petroleum Authority, the industry regulator, and the company officials will review and approve all annual exploration work.

Armour will also pay royalties, ranging between 8.5 and 21 per cent, based on gross daily production in barrels per day (bpd).

Shs7b

Investment. Armour Energy Ltd chief executive officer Roger Cressey said they intend to invest up to \$1.98m (about Shs7b) during the initial period, and with intentions of drilling at least one oil well.

Cost recovery limit for petroleum (oil and gas) has been set at 65 per cent. Government, through the Uganda National Oil Company (Unoc), will have participation in the PSA signed up to 20 per cent.

Similarly, Armour has already paid signature bonus, research and training fees and annual acreage rental fees amounting to \$316,000 (about Shs1.1b) and a Performance Guarantee amounting to 50 per cent of the minimum exploration expenditure for the first two years or \$990,000 (about Shs3.5b).

In Uganda, the company is represented by Mr Tom Buringuriza, the former deputy executive director of the Uganda Investment Authority. Prior to joining Armour, Mr Buringuriza ran an oil and gas consultancy.

Meanwhile, Cabinet last Friday approved two exploration licences and PSA for Nigeria's Oranto Petroleum International, also among the four firms that reached last round, which will be issued in three weeks' time.

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