



# Amsas Consulting

East Africa Oil and Gas Summit(EAOGS)  
Opportunities and Challenges of Investing in the Oil and  
Gas sector of Somalia  
Nairobi -13-14 November 2012  
Dr.Ali Abdullahi, CEO

# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



Somalia



Europe



United States

# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- History

- Yesterday, Somalia was one of the first African countries to give Technical assistant and foreign aid to a fellow African country in the form of Mechanics and Drivers to Landlocked Zambia before Tazara Railways was built(1964-67).
- Yesterday, Somalia had the best Democracy in Africa and in the 1964 Elections there were more than 17 Parties that took part in that elections(1964 and 1968)
- Yesterday, Somalia was considered as one of the fastest growing economies in 1960's
- Today Somalia is considered the longest surviving failed state in the world with Security lacking in most parts of Southern Somalia. From Dictatorship, warlords, Fundamentalist to Shabaab – Fragile and Failed State condition.
- Today Somalia has one of the highest mobile penetration in the world (ITU and Economist)
- Today Somalia is Possibly considered to have more Gas than Qatar and possibly more Oil than Kuwait( Source: [www.upi.com](http://www.upi.com)).....! But the big prize there is the offshore oil and gas fields that Somali officials say contain more than 100 billion barrels of oil, more than Kuwait. If that's the case, Somalia, torn by wars since 1991, would become the seventh largest oil nation.
- What about Tomorrow?

In Today's Somalia one can summarize it as the failure of the Public Sector and the survival of the Private sector. A New Federal Government was sworn in recently consisting of a lean cabinet of 10 Ministers with high hopes of transforming Somalia from a fragile State to a progressive State.

Question: What does the Future Hold for Somalia Tomorrow? and what are the prospects of investing in the Oil and gas sector of Somalia?

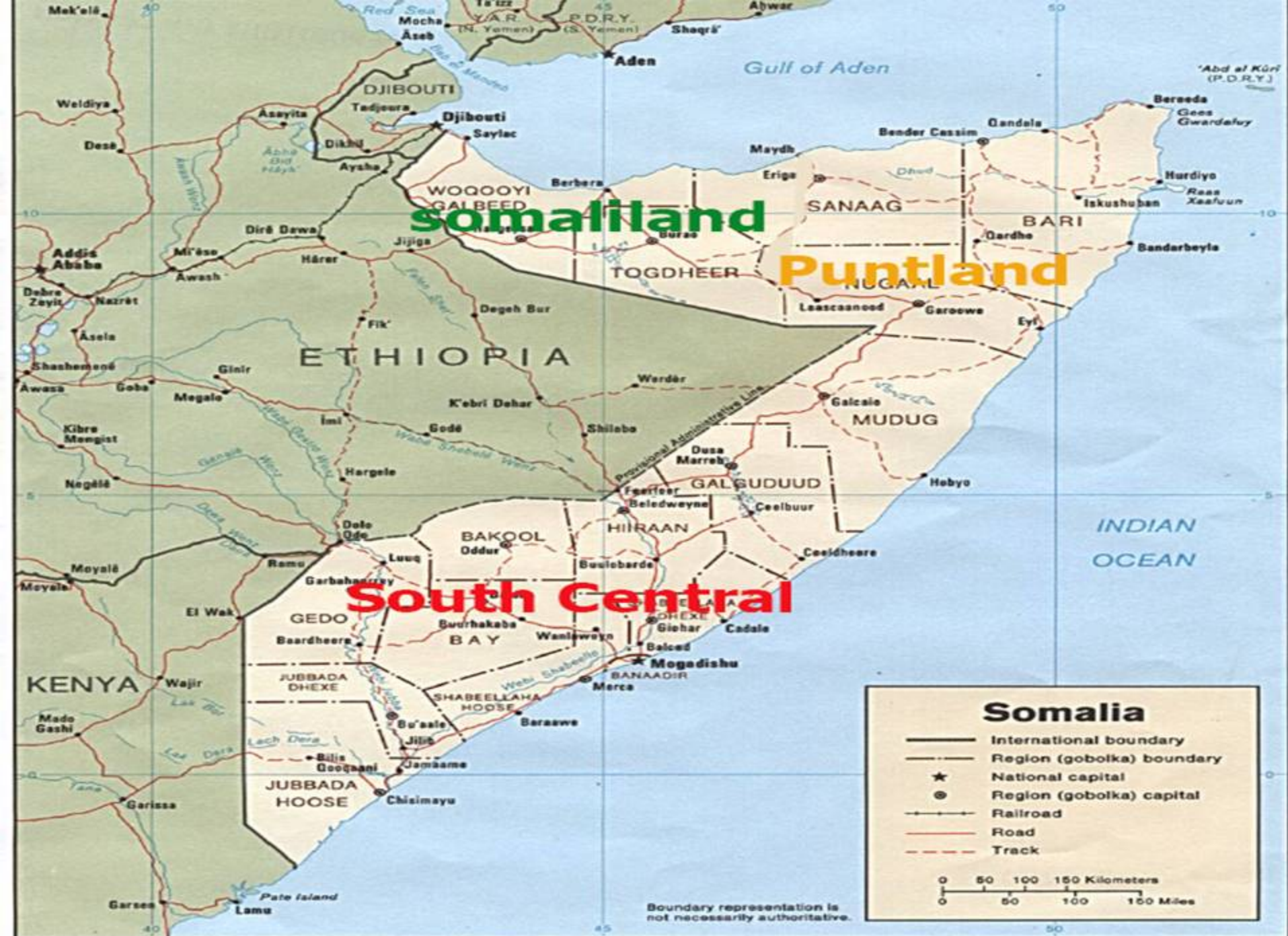
Angola is today one of the top Oil exporting countries in Africa about 20 years they had a civil wars similar to that of Somalia. Mozambique today has gas reserves approaching 200 TCF 20 years ago they were in a civil wars similar to that of Somalia and their gas reserves were barely 4 TCF.



# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- **Background**
- Somalia has been without a central government since 1990. That government collapsed due to civil war that was instigated when the government started ethnic cleansing, mismanagement of public finances. Corruption was endemic in both the public and private sector. In the private sector corporate governance was something unheard of and on the public sector cronyism and nepotism became an art for looting state finances. The Private sector collapsed first then the Public Sector followed. In the north the Somali National Movement (SNM) front later became what is today Somaliland at the conference of Boorame in 1993. In 1998 at the conference of Garowe the state of Puntland was formed from what was the lands under the control of the SSDF (Somali Salvation Democratic Front – the first Armed liberation front that was based in Ethiopia in the late 1970's until late 1980's and later moved into Somalia Proper after 1990.





# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- Opportunities

1. Large deposits of untapped Oil and gas
2. Proximity to world markets (India, China and Asia)
3. Skilled workforce and reliable Diaspora Somali Businessmen who are mostly educated and are successful in their areas of Business and competence
4. Large Areas of Somalia's offshore and onshore Sedimentary basins have not been licensed out

# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- History of Oil and Gas Drilling and Exploration In Somalia

- 1. 1951-2012

Country: Somalia

Number of Wells Drilled : 65

- 1951- Rogers Drilling Company(RDC) and Sinclair Oil come to Somalia.
- 1959 – 69 – RDC and Sinclair Drill close to 20 wells in Somalia
- 1961 – Coriole-1 Well encountered Oil and flowed at around 700Bopd
- 1966 – Afgoye-1 Well encounters gas that flowed at high pressure of around 5600psi and around 100 Barrels of Oil
- 1968 – Mobil drilled Dagah Shabel 1,2,and 3 and encountered oil
- 1985- Government Drilled Afgoye-2 and Afgoye-3 and Somalia for reserve estimate of a closure of around 10km.squared equaling 200BCF of gas. The then Somali Engineers criticized the location of the two wells.
- 1988-89 – Conoco Consortium Drill Kalis-1 and Nugal-1 encountered oil and mapped more than five(5) other prospects capable of Producing close to 500MMbbl each prospect
- 1989-90 – Most Oil Companies Declare Force majeure due to the Somali Civil War
- 1997- Amsas Consulting does Oil and gas expedition and visits SSDF controlled regions which latter 1998 became Puntland
- 2001(Apr)- Talks between Total and the Transitional National Government fail over a TEA on Jorre Area when they fail to pay \$5million to then Minister of Mines and Energy Hon. Hassan Abshir Farah
- 2004-2005 – President of TFG Abdullahi Yusuf and that of Puntland Mohamud Hersi meet in Galcio and convene a meeting to bring in investors in the oil and gas sector specially previous concession holders first
- 2008 – Amsas Consulting Awarded a Concession by the TFG –I and does Geochemical Study comparing the Mudug Basin and Nugal Basin Samples were sent to Graystone Laboratories in the US for Analysis.
- 2012 (Early) - A Consortium of Amsas Consulting and Tembo Petroleum Ltd. apply for two blocks from TFG-II in Somalia
- 2012(Nov)- Two wells were drilled by a Consortium of Companies in Puntland and one well encountered Oil shows in the Jesoma Sands while the other encountered water.
- 2012- New Federal Government comes into power. The Natural Resources Ministry combines Oil and Gas, Energy, Mining, Fishing and all other Natural resources of Somalia.



# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- **Opportunities**

- 1. **Large deposits of untapped Oil and gas**

- *In a Study done by the World Bank in the late 1980's to look at countries that had promising oil and gas potential Sudan and Somalia were the top on the list. Today, we have seen Sudan become a major Oil Exporting country with close to 500,000 Bopd Production capacity. According to the late Thomas O'Connor chief petroleum Engineer at the World Bank who said in the late 1980's that "It's there. There is no doubt there is oil there. You don't know until you study further just how much is there and it has commercial potential. It's got high potential..... once the Somalis get their acts together." Ref: The Harms and Brady Report*
    - *The Estimated oil in place for the Nugal Basin is close to 10 Billion Barrels of Oil' – Ref: 'The Sproule Report 2007, Conoco Internal Documents'*
    - *The Proven gas Reserves (1P) of the Amsas-Coriole-Afgoi Block is estimated to be 200bcf of gas with the potential of 10TCF and close to 5 Billion Barrels of Oil in Place – Ref: World Bank, Keplinger, McCord Lewis and Amsas Consulting Internal working documents*
    - *Somalia has the following Sedimentary Basins that are at some regions as thick as 8000metres: 1. Coriole Basin, 2. Nugal Basin, 3. Lug Basin (Continuation of Ogaden Basin – South), 4. Guban Basin, 5. Sagaleh Basin, 6. Mudug Basin (Continuation of Ogaden Basin East), 7. Socotra Basin (Offshore Puntland and Continuation of Yemen Basins) 8. Dharoor Basin and many offshore basins that has not been properly mapped.*



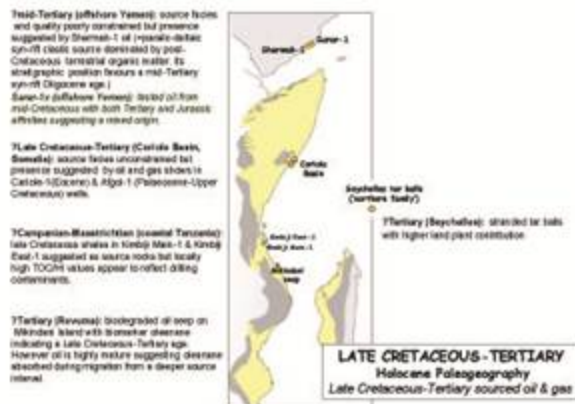


**Figure 1: East African Coastal Basins (location map). Main sedimentary basins highlighted with key gas fields and oil sands (paleo-oil accumulations).**

## Tentative Oil Families ~ East African Coastal Basins

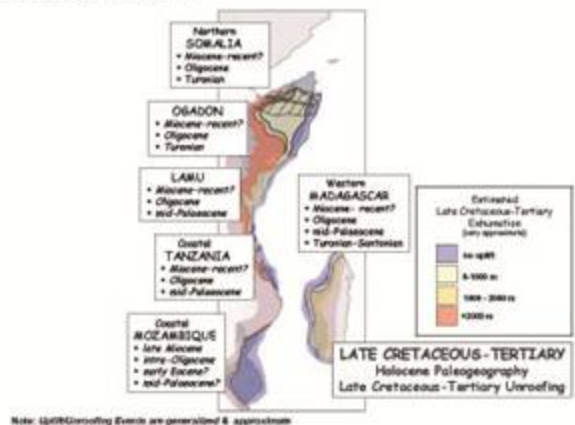
Tertiary / Quaternary		Early Tertiary / Quaternary	
Late Cretaceous/Tertiary		Syn-rift lacustrine source facies offshore Yemen, ?Cenozoic (Somalia), NE Seychelles, Cambay (NW India)	
Upper Jurassic		Syn-rift restricted clastic source facies, Marb-Jawf (Lam) Saar (Mabli) and Barbers (Daghani) Grabens, Yemen and Northern Somalia	
Late Cretaceous - Tithonian			
Oxfordian-Early Kimmeridgian		Marine shelf clastic source facies (Uranadab) Ethiopia/Somalia	
Middle Jurassic		Distal slope-basin & restricted marine carbonate source facies	
		Amboni, Mumbati, Bernamahi, Tanzania coastal Rovuma and Morondava / Majunga Basins, Madagascar	
Lower Jurassic		Variable, heterogeneous syn-rift (offshore) and restricted marine (Deronzo, Antafala) clastic source facies, coastal Tanzania, Mandawa, Rovuma, Majunga/Morondave & Seychelles	
			
Early Triassic-Late Permian		Lacustrine (isotopically light, saline) source facies (Sakamena, Maj-Ju Chumui, Bichai), northern Mozambique, Kenya (Eltrapia)	
		Restricted marine Aggoulou source facies (Sakamena, Maj-Ju Chumui, Bichai), Majunga/Morondave, coastal Tanzania, ?coastal Mozambique	
			
Lower Cambrian - Upper Pre-Cambrian		Restricted (post salt) carbonate source facies (Early Cambrian Dhahabani), central Oman	
		Siliceous and carbonate intra-salt (Ara Gup/A Shomou) and pre-salt (Eush, Shumam) source facies south and north-central Oman & Nubianides facies (?Sikera), Punjab/Sikera-Nagaur Grabens & Indus	
			

**Figure 2: Tentative Oil Families, East African Coastal Basins.** Oil shows, seeps and tar sands encountered in the onshore and shallow offshore of the East African seaboard are shown tentatively grouped into discrete families based upon a diverse geochemical data set, and constrained by their stratigraphic distribution. Based in part on information from GeoMark Research Ltd., Mpanju 2000, Kagya 1996, 2000, Matchette-Downes 2005, 2007, Maende & Mpanju, 2003, Mpanju & Philp 1994, Ntomola & Abrahansen 1987.



**Figure 9: LATE CRETACEOUS-TERTIARY ~ Holocene Paleogeography**

Oil & gas occurrences attributed to the Late Cretaceous-Tertiary (defined by the presence of the biomarker Oleanane and/or stratigraphic position) are summarized and recognized oil groups highlighted by coloured dots (~ see figure 2 for key). Based in part on information from Geomark Research Ltd., Matchette-Downes 2005, 2007, Maende & Mpanju, 2003, Mpanju 2000 and Mpanju & Philp 1994



**Figure 10: LATE CRETACEOUS-TERTIARY Holocene Paleogeography**

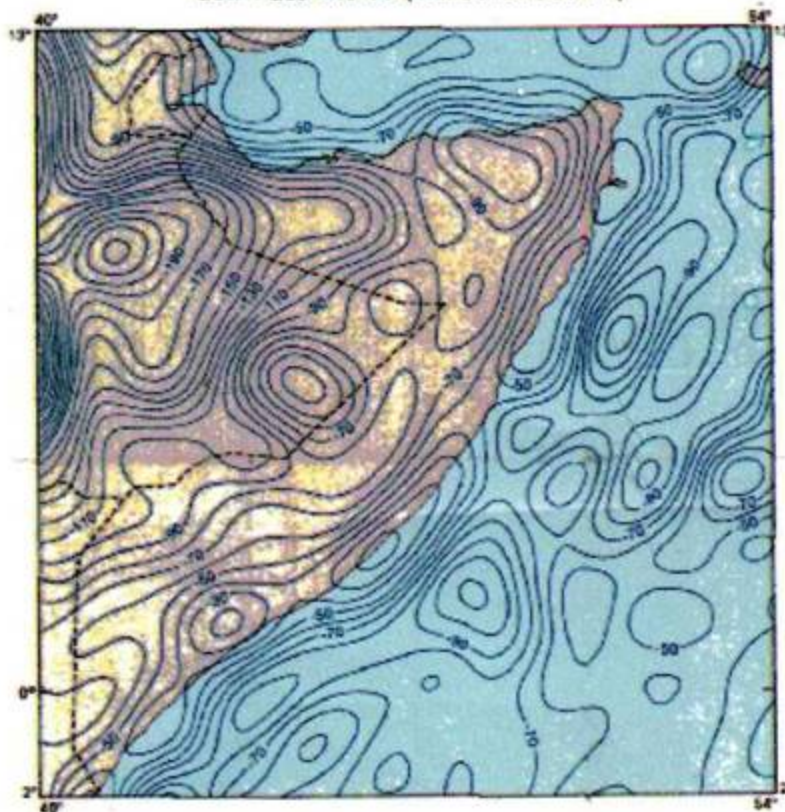
Late Cretaceous-Tertiary Unroofing. The composite amount of Late Cretaceous-Tertiary unroofing was calculated by comparing well based maturity profiles within each basin with a 'standard' well profile representing a minimal amount of uplift. The difference provided a relative estimate of exhumation assuming a common basin-wide thermal gradient/heat flow. The map presents a very generalized view of unroofing, variably constrained by data quality and well control. More significant periods of uplift and erosion summarized for each basin are based on a regional 2<sup>nd</sup> order sequence analysis and are very provisional.



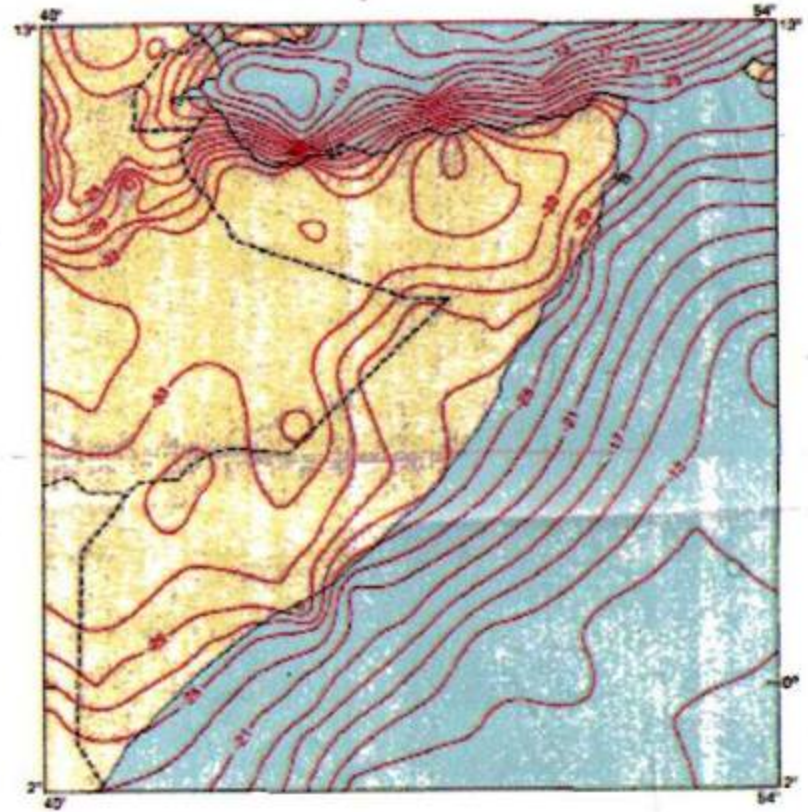
# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



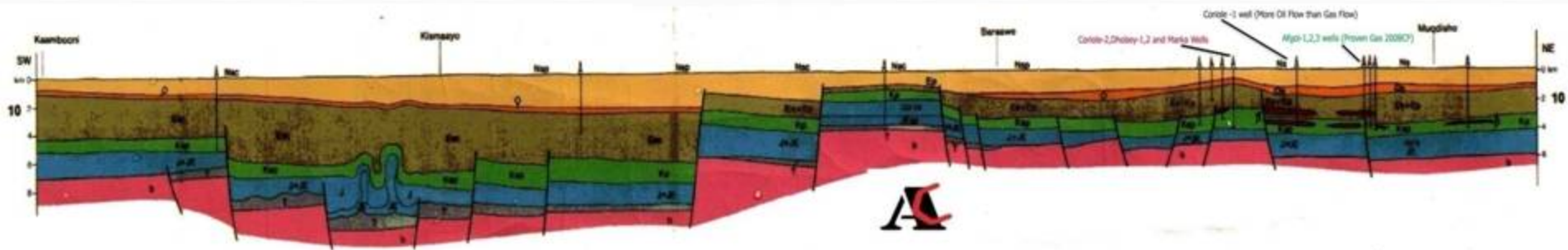
**Regional Bouguer Gravity Map of the Horn of Africa**  
Low-Pass filtered (Lambda > 200 km)



**Moho Depth (km) of Horn of Africa from gravity data**

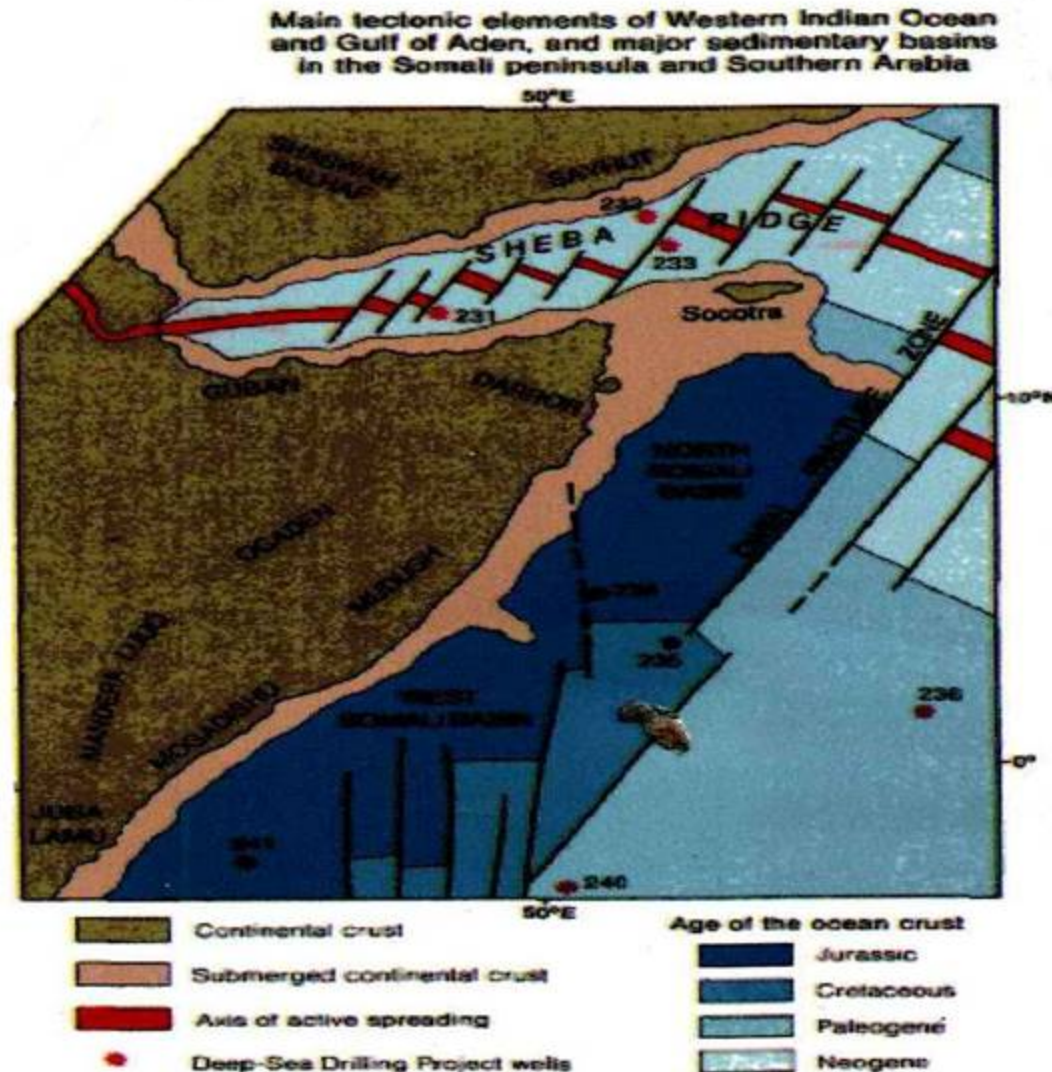


# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia





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# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



## 2. Proximity to world markets (India, China and Asia)

- There is no Stranded Gas or Oil in Somalia because of commercialization is made easy by access to port at a short distance
- In comparison long distance Pipelines cost massively and for South Sudan is expected to cost around \$3-\$5 Billion. In the 1990's Sudan spent more than \$2 Billion on its pipeline to Port Sudan





# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



## 3. Skilled workforce and reliable Diaspora Somali

Businessmen who are mostly educated and are successful in their areas of Business and competence

- Somalia has an estimated 5 Million people who live outside Somalia and out of that close to 1 Million are skilled or semi skilled who can contribute to nation building. Currently it is estimated that close to \$1.5 Billion Dollars is sent to Somalia by the Diaspora. The Diaspora are the largest Foreign Direct Investors in Somalia and they pump more money than what all Aid Agencies and their governments pledge to Somalia.

# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



## 4. Large Areas of Somalia's offshore and onshore Sedimentary basins have not been licensed out

- Yes, There are close to 8 Sedimentary Basins in Somalia and most areas have not been awarded.
- The Following companies had title from previous recognized governments from 1990-2012:
  1. Agip Africa ltd.(ENI)
  2. Amoco Somalia Petroleum Co.(today BP)
  3. International Petroleum Corp.(Talisman)
  4. Murphy Eastern Oil Co. (Murphy)
  5. Gulfstream Resources Canada (Anardarko)
  6. Neste OY
  7. Chevron Corp
  8. Continental Oil Co.(Conocophillips)
  9. Phillips Petrol. Corp Somalia (Conocophillips)
  10. BG Somalia SA (BG Group)
  11. Japan Energy Corp.(JEC)
  12. Amsas Consulting Somalia Ltd (Amsas Consulting Pty.Ltd)
  13. Mobil Somalia (ExxonMobil)
  14. Pecten Somalia (Shell Ltd)



# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- Challenges

1. Security
2. Political
3. Legal
4. Economic
5. Infrastructure

# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- Challenges

## Security

- Lack of well trained police
- Lack of organized and well funded Military
- Alshabaab and Fundamentalist
- Marauding Militia –Unemployed and destitute youth
- Lack of Military hardware for the government due to UN arms embargoes (Resolution 751)



# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- Challenges

## Political

- Puntland – Federal/Confederate Issue
- Somaliland – Independence/Cessation issue/ Confederate Issues
- What is the real Definition of Somaliland? is it the ruling clan alone or the sum of all the other five(5)clans?
- Puntland – issue of Licensing to foreign companies which is in direct conflict with previous concession holders rights and that of the Federal charter of 2004 and the 2012 Federal Constitution.
- Somaliland – Issue of Licensing to Foreign Companies
- Federal/State relations, fiscal Federalism and Resource sharing
- Emerging states like Jubaland – next week in Kismayu a new administration will be setup by IGAD but the shape it will take is very important for the future of Federalism in Somalia

# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- Challenges

## Legal

- The issue of legal matters as far as 'Force Majeure' is concerned is a real challenge for both investors.
- Some Regional Governments mainly Somaliland and Puntland have given out Licenses to other companies assets that were under 'Force-Majeure'
- The Somali Federal Government is the recognized entity by the UN, AU and IGAD and all other multilateral organization that can also go into international agreements.
- The other issue is who can issue oil and Gas concessions, Agreements and contracts?
- The current Somali Constitution lacks details in Federal State Resource sharing and amendments might be needed to effect this vexing issues.



# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- Challenges

## Economic

- The Somali economy is quite minute currently but with a functioning and transparent government it is expected that the economy will grow gradually. The major Revenue base for the government is only the Port and Airport of Mogadishu (Import and Export Duty) and other minor council cess.
- The other source of income for the nascent government is donor support both bilateral and multilateral.
- Unemployment is very high in major towns of Kismayu, Mogadishu and Marko and is a harvesting ground for Alshabaab.
- Inflation is high due to high transport and Energy costs
- Lack of a recognized Banking and Insurance Industry
- A weak Central Bank that has no control over monetary policy

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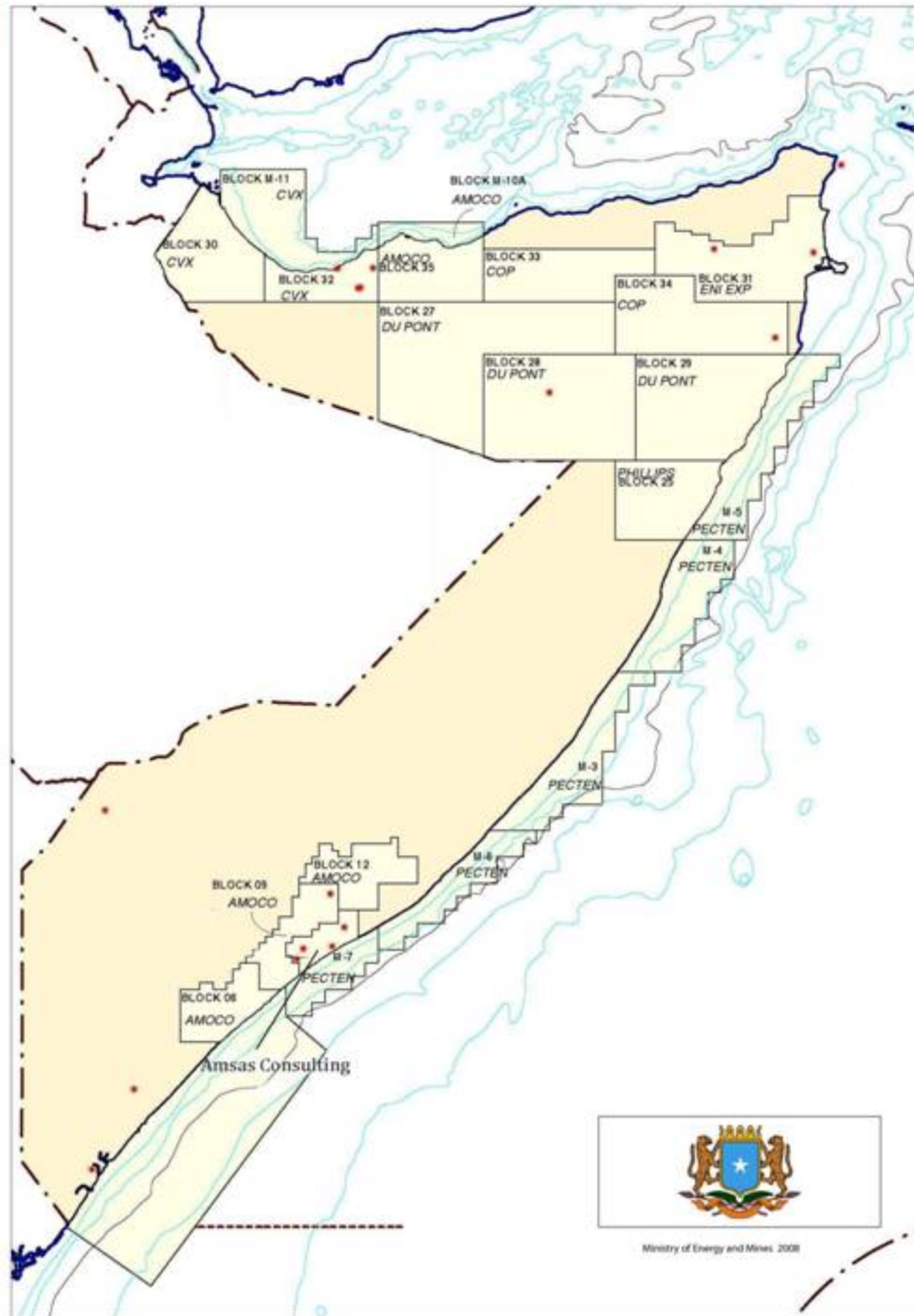


- Challenges

## Infrastructure

Somalia has a decayed infrastructure after almost two decades of civil war. Most Hospitals, Roads, Ports, Airports need to be repaired and be revived to a workable conditions.





# Opportunities and Challenges of Investing in the Oil and Gas sector of Somalia



- Thank You
- Any Further Questions Please email us at
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  - Or
  - [info@amsasconsulting.com](mailto:info@amsasconsulting.com)