Petroleum Directorate of Sierra Leone

Conclusion of Fourth Licensing Round Consultation
Full opening of Sierra Leone’s offshore waters to Tender

20 May 2019

In September 2018, shortly after his appointment as Director General of Sierra Leone’s Petroleum Directorate, Mr Timothy Kabba announced a six-month period of Industry Consultation, the purpose of which was to hear feedback from participants in the country’s Fourth Licensing Round.

Meetings have since been held with a broad spectrum of high-quality international oil and gas companies, and this has resulted in a wide-ranging dialogue. The Directorate is appreciative of the time that companies have devoted to the consultation process and its intention is to use the insights gained to bring the Fourth Licensing Round to a successful conclusion.

Thus, the general conclusions of the consultation include the following:

1. Companies recognise the proven nature of Sierra Leone’s working hydrocarbon system.
2. Licence Round Participants have considered a broad basis of prospectivity, which spans a range of geographic locations, play types and water depths.
3. This prospectivity extends beyond the boundaries of the Licence Areas made available at the start of the Fourth Licensing Round. As such, a key conclusion drawn by the Directorate is that the conditions offered pursuant to the original tender process no longer provide the Government of Sierra Leone with a structure broad enough to explore the full range of investor interest that has been expressed.
4. The Directorate has noted that a portion of the interest shown lies in water depths in excess of 2,500 meters, the boundary between deep and ultra-deep water. It is the view of the Directorate that the number of companies with the financial and technical capability to operate safely in such ultra-deep water areas is limited.
5. Potential investors acknowledge that their understanding of Sierra Leone’s prospectivity will benefit from working with the world-class inventory of seismic, gravity, magnetic and well data and studies that is owned by the Government.

Reopening of the Fourth Sierra Leone Offshore Licensing Round

Based on these conclusions, the Government of Sierra Leone has decided to reopen the country’s Fourth Licensing Round with the following structure:

• Fully open the Republic’s offshore waters for petroleum licensing.
• Utilise a more flexible Block framework as the basis for licensing.
• Launch a Direct Tender for Licence Applications where 50% or more of the application area is in water depths in excess of 2,500 m
• Launch an Open Tender for all other Licence Applications
Following publication in the Sierra Leone Gazette, both Tender processes are to launch, on **Tuesday 21st May 2019**. The Open Tender process will run for six months and the Direct Tender process for four months. The deadline for Open Tenders is **22nd November 2019**. Direct Tender negotiations will close on **20th September 2019**. It is however possible for Licences to be awarded by Direct Tender prior to the close date.

**Prequalification process:**
To participate in either the Direct or Open Tender, companies must prequalify for that process by fulfilling all financial, technical and HSE elements relevant to their specific application.

The Open Tender process, being focused on shallower water depths, will provide the opportunity for a broad range of companies to apply for offshore acreage.

Given the predominance of ultra-deep-water areas in the Direct Tender process, each Applicant will be expected to evidence that they possess the financial and technical capability to safely operate in ultra-deep water.

**Block system framework:**
At the launch of the Fourth Licensing Round, five (5) Licence Areas were defined and Gazetted. Consultation has highlighted that this rigid approach has not provided the Directorate with the flexibility it requires. To address this, and with the Republic’s offshore waters now fully open to licensing (bar environmentally protected estuaries and a 5km coastal fisheries zone), the Directorate has decided to utilize a pre-defined graticular Block framework. The size of each full block is 1,360km² (see figure below).

Using this framework, Applicants are invited to delineate their areas of interest by assembling multiple contiguous Blocks. A Licence Application must cover an area which is equivalent to at least 3 Blocks in size and may be made up of a combination of whole and partial Blocks.

Overlapping Licence Applications will be reviewed with reference to their relative merits and against the criteria detailed on the published scorecard.

**Work programme:**
Applicants are asked to propose a work programme for the Initial Exploration Period following which they will have the option to enter an extension period.

No minimum work programme specifications have been set for the Initial Exploration Period, however the Directorate expects companies to invest in studies, data and other activities that build toward the drilling of exploration wells.

**Data catalogue:**
To appropriately inform their Initial Exploration Period technical studies, the Directorate strongly encourages all applicants to invest in the extensive inventory of geophysical and well data owned by the Government of Sierra Leone.

**The award of Licences:**
Applications for both Direct and Open Tender will be assessed against a publicly disclosed scoring system (see [www.pd-sl.com](http://www.pd-sl.com)). Successful applicants will be notified in a timely manner by the Directorate, following which the Applicant will have 30 days to accept the proposed award.

Once accepted, an exclusive Licence Agreement will be signed and ratified by Parliament. The Agreement then becomes valid and binding, and a summary of the Licence is published by Gazette.

The Petroleum Directorate looks forward to a successful conclusion to Sierra Leone’s Fourth
Mr. Timothy Kabba, Director General of the Sierra Leone Petroleum Directorate commented:

“The reopening of the Fourth Licensing Round brings us to the cusp of a new era in Sierra Leone’s oil and gas programme. We are confident that the flexibility delivered by this innovative flexible Block framework will foster a new dynamism in oil and gas exploration in the region – thereby increasing participation and demand from both major and independent oil companies. In this way we are setting a new pace in regional exploration activity, which also sets the stage for us to become the ‘Gold Standard’ for innovation and proficiency in oil and gas exploration and production.”