

FINANCIAL REVIEW

Nepean Group targets oil production onshore Timor-Leste



Chairman of Nepean David Fuller, President of TimorGap Francisco Monteiro, President of ANPM Dino DaSilva. At the official signing ceremony and present exchange. TimorPhotography

by Angela Macdonald-Smith

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The private company of Australia's Fuller family has signed a deal to explore for oil and gas onshore Timor-Leste, with the ambitious aim of beginning oil production within four years.

Timor Resources Holdings, part of diversified manufacturing and engineering company Nepean Group, has taken 50 per cent of two prospective onshore blocks covering 2000 square kilometres in a region hosting more than 60 oil seeps.

The production sharing contract, signed on Friday by Nepean chairman David Fuller and Timor-Leste government representatives in the presence of Prime Minister Rui Maria de Araujo, could see the Australian company invest more than \$US150 million. Work will start "immediately", with a 900km 2D seismic survey planned for early 2018, Timor Resources said.

The Timor-Leste government has for years been seeking to raise interest in onshore exploration to help advance its ambitions to establish a \$US2 billion petroleum corridor on the south coast, including a supply base, refinery, petrochemical and LNG plant, and a network of petrol stations.

Exploration and development in some offshore waters around the country has meanwhile been stalled by a sovereignty dispute between Timor-Leste and Australia where the

Woodside Petroleum-operated Sunrise venture hoped to develop a floating LNG venture. Some 95 per cent of government revenues comes from offshore petroleum production, mostly from ConocoPhillips' now-mature Bayu-Undan gas venture.

Timor Resources' venture covers Block A and Block C, where Timor-Leste national oil company Timor Gap, the Australian company's joint venture partner, has carried out scientific studies that it said point to a potential resource of more than 500 million barrels in the ground.

The initial three-year commitment will involve studies, seismic work and one exploration well involving a total cost of at least \$US60 million, said Timor Resources managing director Suellen Osborne. The deal, which is Nepean's first foray into petroleum exploration, then has two further two-year options.

She said the partnership-type structure of the deal would see Timor Resources set up two local companies in Timor-Leste, with 90 per cent of staff to be local.

Mr Fuller said the deal, which has been in discussion for six months, could bring "life-changing" benefits to the people of Timor-Leste.

"They don't have the resources to fund a development of this size alone so they have been looking for a partner who is prepared to share the risks and the rewards – a partner they can trust and who will work in a partnership," Mr Fuller said.

The company described Timor-Leste as a "highly prospective region" for oil and gas but with onshore fields that had been closed to international exploration for 40 years.

Timor Resources exploration general manager Mike Bucknill, a former general manager of exploration at Central Petroleum, said onshore Timor "offers very good potential, as it is largely unexplored, yet it has the elements of an effective hydrocarbon system".

"You just need to look to the region and the prospectivity of the offshore activity to see the potential. Oil has been recovered from seeps and pits all along this coast," Mr Bucknill said, noting that onshore exploration in the 1960s recovered oil from three wells in the permit area, one of which was still productive.

He said multiple exploration target and play types had been identified, while analysis of recovered oil pointed to favourable quality with low sulphur.