

Puntland partners agree financial terms and plan drilling in tough neighbourhood

A new production-sharing agreement has been signed with the Puntland authorities, but Range and its partners are operating in an environment where pirates, radical Islamists and warlords create serious obstacles. It's a bonanza for private security firms, writes **Nadine Marroushi**

It all seems like business as usual. *Australian Securities Exchange* and *Alternative Investment Market*-listed *Range Resources* has announced a new financial agreement with its joint venture partner Canada-based *Africa Oil Corporation (AOC)*, for a second exploration well due to be spudded by September. This will be included as part of AOC's exploration commitments, which oblige it to spend \$22.5m in Dharoor and Nugaal before Range reverts to a contributing basis. A Range company report says AOC has satisfied its commitments with regard to Dharoor, but still has around \$15m to pay on Nugaal. AOC's production-sharing agreements (PSAs) with the self-declared autonomous state of Puntland for the Dharoor and Nugaal Valley exploration areas have been extended for 12 more months, to 17 January 2012. AOC must spud at least one well in the Dharoor Valley by 27 July, and a second well in either the Nugaal or Dharoor by 27 September.

Meanwhile, the Puntland government has approved the farm-out to Perth-based *Red Emperor Resources* of a 20% interest in each of the PSAs; this was announced last June. Canada-based *Lion Energy Corporation* is also part of the PSA.

Pirates still a problem

AOC sees analogues between the rift basins of Puntland and geologically related basins in **Yemen**. But geology is not the biggest problem. Drilling had been scheduled for July 2008, but was delayed because of security concerns over piracy (*AE 138/13*). Two years on, and **Somali** pirates continue to pose serious obstacles to the international shipping community. They were responsible for 44% of the 289 piracy incidents on the world's seas in January-September 2010, according to the *International Chamber of Commerce's International Maritime Bureau (IMB)*. Of 39 ship hijackings, 35 were carried out by Somali pirates, who appear to be gaining in confidence by carrying out more attacks away from their own coast. The IMB's 2011 live piracy map shows a heavy concentration of pirates off the coast of **Oman**.

Pirates are heavily armed with automatic weapons and rocket-propelled grenades. They have been making tens of millions of dollars in ransoms from seized ships, including tankers and dry bulkers, in the Indian Ocean and the Gulf of Aden, despite the efforts of foreign navies to clamp down on such attacks.

Somali pirate bases are notoriously concentrated in the northern region of Puntland. In this context, sources told *African Energy* that the Puntland government was maintaining its relationship

with a private security company linked to the founder of *Blackwater Worldwide*, **Erik Prince** – despite a decision by the central government in Mogadishu to end the relationship and its insistence that this should apply to all parts of Somalia. *Saracen International*, which is said to be funded by the **Kuwaiti** and **United Arab Emirates** governments, has already begun training a force of over 1,000 men in Puntland. It is intended to go after pirate gangs on land and may also be deployed against Islamist insurgents, the *Associated Press* reported.

Saracen signed a deal with a previous Somali government to train a presidential guard and possibly a second anti-piracy force of over 1,000 men in Mogadishu, but the new Somali administration voted on 27 January to abandon the deal.

Securing concessions

The use of a private company, such as Saracen, for Puntland's security has drawn criticism. *International Crisis Group (ICG)* Horn of Africa analyst **Rashid Abdi** told *African Energy*: "The involvement of Saracen International only exacerbates the situation... this is not the first time that a private security company has been involved in Somalia, and it is alleged that those they trained went on to become rogue elements and were among the first pirate groups. Private security companies are motivated by profit not democratic reforms, and it is ill-advised of the Kuwaiti government to be involved." He added that the area's politics is complicated by the competition for resources where companies are vying for concession rights.

In December, it was reported that a delegation of the Puntland government, including President **Abdirahman Mohammed Farole** and petroleum director **Isse Dhollowaa**, met Kuwait's Emir Sheikh **Jaber Al-Ahmed Al-Jaber Al-Sabah**. While the Kuwaiti government might be motivated to assist Puntland with combating piracy and Islamist insurgents in the interest of regional security, the interests of private Kuwaiti investors may have also been influential. *Kuwait Energy Company (KEC)*, a private firm whose shareholders include an eclectic mix of Kuwaiti, US and Gulf investors, is interested in concession rights in Somalia. In 2008, KEC announced its involvement in helping the then Transitional Federal Government (TFG) in setting up a national oil company (*AE 145/5*). But, with changes in the central government, this has not yet materialised.

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