

Libya could keep Occidental busy for a long time

From:

Oil & Gas Investor

Date:

March 1, 2005

Author:

[Taylor, Bertie](#)



**Premium
article**

Occidental Petroleum succeeded in winning nine of the 15 licenses recently awarded in Libya's first licensing round in more than two decades. Oxy, along with the UAE's Liwa, won rights to five onshore blocks, with a 90% stake, one in the Cyrenaican Basin and two each in Murzuk and Sirte, and 35% stakes in four offshore blocks with operator Woodside Petroleum, 55%, and Liwa, 10%.

Oxy's success is proof positive that doing business in Libya can be accomplished, according to Omar Turbi, president and chief executive of California-based Orbit Systems. "The structure of the Libyan regime is very complex," Turbi says. "[The] decision-making flowline is ambiguous. It often seems chaotic and indecisive."

At first blush, it seems that Oxy has done its homework on Libya. Jay Saunders, an analyst with Deutsche Bank, says, "The large number of licenses that Oxy won could keep it busy in Libya for some time, provide an outlet for its plentiful cash amid a recordlow 27% debt/cap, and facilitate operations upon its post-sanctions return to its long-held acreage in the Sirte Basin."

Bernard J. Picchi, senior managing director at Foresight Research Solutions LLC, says Oxy's only production in Libya probably into 2007 is likely to be low-profit contract oil. "I don't think this production will ever be more than 30,000 barrels per day. But by 2007 or 2008, I can't see why Oxy shouldn't be producing net equity oil of, say 25,000 to 50,000, based on what the company has told me.

"So, that could be \$100- to \$200 million per year of after-tax profits-or \$0.25 to \$0.50 per share, [but] I'm probably being cautious here."

Saunders says the round's absence of European majors may suggest the bidding was too high, given the quality of the blocks.

Turbi says doing business in Libya requires intimate knowledge of the make-up of the Libyan government, and the decision-making flow. "Knowing when to push the right buttons at the right time requires day-by-day reading of Libya's internal and external political conduct, its relations with the outside world and more specifically with the U.S. Studying and understanding the Libyan regime's diplomatic priorities is a plus because it often affects its business decisions."

-Bertie Taylor

Copyright Hart Energy Publishing, LP Mar 2005. Provided by ProQuest LLC. For permission to reuse this article, contact [Copyright Clearance Center](#).