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Bowleven sells Cameroon oilfield stake

http://www.ft.com/cms/s/0/6530dfd0-fb9c-11e3-aa19-00144feab7de.html#axzz35RLHskVU
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Bowleven, the Africa-focused oil and gas explorer, is to sell a 50 per cent stake in a key project off the Cameroon coast for $250m.

Under the terms of the farm-out deal, the Aim-quoted company will reduce its stake in the Etinde field from 75 to 25 per cent.

Lukoil, Russia's second-largest oil producer, has agreed to buy a 37.5 per cent stake in the field that is rich in gas and condensate and is estimated to contain a total of 263m barrels of oil equivalent.

New Age, a privately owned investor in sub-Saharan Africa that last year bought out a 25 per cent stake in the field from commodity trader Vitol, has also extended its stake to 37.5 per cent in a development that could see an onshore fertiliser plant built using gas as feedstock and the possible addition of gas liquefaction scheme.

The deal removes a key financial overhang for Bowleven in continuing its involvement in the field development that has an estimated $700m funding requirement ahead of first production.

Scepticism over Bowleven's ability to lead development of the key asset in its portfolio has seen its share fall from a peak of 414p in 2011 to under 40p ahead of Tuesday's announcement.

Shares in the company rose 10 per cent to 43.5p on Tuesday following of the terms of the sale.

Kerry Crawford, finance director of Bowleven, said the terms of the deal exceeded that implied by the current market value of the company. "We've sold two-thirds of Etinde for $250m and kept a third, yet the company's market capitalisation stood at just $220m yesterday morning," she said.

The deal would leave Bowleven well funded to cover its remaining development commitments on the Etinde field and other exploration activities in Kenya and Zambia, she added.

The sale demands Bowleven unravel a deal struck with Petrofac 18 months ago in which the oil services group offered an investment of up to $500m in return for a cut of future production revenues.

The financing deal with Petrofac followed the collapse of an approach made earlier that year for Bowleven by Dragon Oil, controlled by Dubai's state-owned Emirates National Oil company, which led to Bowleven's shares spiking from 74p to 120p.

Mark Henderson, analyst at Westhouse Securities, welcomed the farm-out deal.

"This is a major boost to the Bowleven investment case, which we argue the market has been very sceptical of given past problems," he said. "The addition of Lukoil and the increased interest of New Age dramatically derisks the Etinde development and allows Bowleven to progress its other assets."

In March the company, which has no production revenues, reported a $6.6m loss and net cash balances of $38m after raising $21m at 45p a share in November.