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Chevron Bought Out of Oil Block for \$65 Million

BY GEORGE STYLLIS | AUGUST 12, 2014

A Singaporean oil and gas company has purchased controlling interest in Cambodia's only offshore oil reserves for \$65 million from U.S. oil giant Chevron, which has failed over the past decade to extract a drop of oil from the block located off the coast of Sihanoukville.

Singapore-based KrisEnergy, which already had a minority share in the exploration area, announced Monday it has acquired Chevron's 30 percent interest in Block A, raising its stake to 52.25 percent and giving it control of the 4,709-sq-km area.

"KrisEnergy Ltd....announces that its wholly owned subsidiary, KrisEnergy (Asia) Ltd., has entered into an agreement with Chevron Global Energy Inc. to acquire the entire issued share capital of Chevron Overseas Petroleum (Cambodia) Limited..." the firm said in a media release.

"Chevron Cambodia's 30 percent participating interest in Cambodia Block A will reduce to 28.5 percent once the Cambodia National Petroleum Authority ("CNPA") or its successor completes its acquisition of a 5 percent participating interest in the block."

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Production from the initial stage is expected to peak at about 10,000 barrels of oil per day, according to the statement, an estimate that has come under much scrutiny as efforts to get oil flowing have repeatedly stalled.

Richard Lorentz, director of business development at KrisEnergy, said in the statement that under the company's operatorship plans for extraction will move "as quickly and cost effectively as possible."

"We farmed into Cambodia Block A in 2010 and we believe it has all the makings of a significant oil production area," the statement says.

Chanlek Than, a communications officer for Chevron Cambodia, declined to comment on the deal.

Exploration on the block began in 2002. In 2008, the government estimated that Chevron would recover 15 to 20 percent of the estimated 500 million barrels of oil in the offshore exploration block starting in 2011.

But in 2012, Chevron rejected the terms of a production permit due to the 30 percent corporate income tax imposed by the Ministry of Economy and Finance.

Kim Natacha, president of the NGO Cambodians for Resource Revenue Transparency, said the two-year standoff between Chevron and the government since the permit was rejected raised doubts about the future of exploration in Block A.

"We were concerned if Chevron pulled out who would replace them, but with KrisEnergy it's less of a concern because they have been there since the beginning of exploration," she said.

In November, control of the CNPA was handed from the Council of Ministers to the Ministry of Mines and Energy, part of a reform effort that saw a severe reduction in the number of government bodies overseen by Deputy Prime Minister Sok An, who controls the Council of

7

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Ministers.

In 2010, Mr. An promised to have oil flowing by December 2012.

The remainder of Block A will remain divided up between Japanese company MOECO, which has a 28.5 percent interest, GS Energy with 14.25 percent and the CNPA with 5 percent.

Shares in KrisEnergy rose 2.7 percent Monday to about \$0.60, the biggest daily rise in over a month, but a steep drop since the beginning of the year when they were trading at about \$1.

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