

# Seismic reflections

## Best fiscal regime in the world?

In our opinion, Morocco has one of the most attractive fiscal regimes in the world. Low royalties, corporate tax holidays on discovery and low state participation make a recoverable barrel one of the most valuable in Africa. Currently importing 95% of its energy may explain why Morocco is very supportive of oil and gas exploration. The presence of well-known explorers, such as Anadarko, means Morocco is one to watch as a potential exploration hot spot.

### A captive audience – huge energy demand

Morocco is hungry for energy. Demand in the country is growing at c 8% per year and it imports 95% of its energy. This demand for gas is driven primarily through its large phosphate mining industry. Morocco holds more than 75% of the world's phosphate reserves and producing it requires large amounts of natural gas. Combined with existing infrastructure and a developed downstream industry, the country has potential to be one of the most attractive operating environments in the world.

### Morocco – let's get fiscal

Morocco has one of the most attractive fiscal regimes in the world for oil and gas companies. It is governed under a royalty framework rather than a complex – less favourable – production-sharing contract like nearby Tunisia. Royalty payments are low, tax holidays are available on discovery and state participation is capped at 25%, meaning the companies' take is significant. The key implication of this is that a recoverable barrel is highly valuable; according to ONYHM (Moroccan National Oil Company) profit per barrel in Morocco is seven times higher than Nigeria and 13 times higher than Algeria.

### Who is investing?

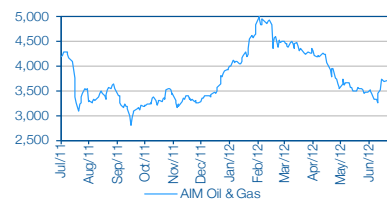
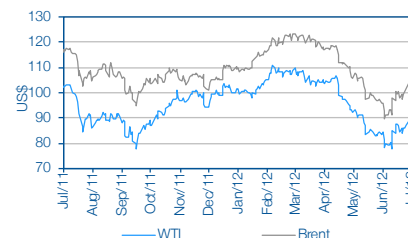
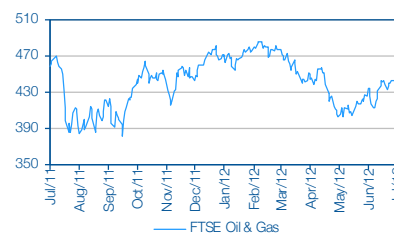
There are a number of companies operating in Morocco: Anadarko, Total, Repsol, KNOC, Kosmos, Circle Oil, Tangiers, Serica, San Leon, Longreach, EOG, Fastnet, Caithness (Private) and, most recently, Genel through its acquisition of Barrus Petroleum (Private). Exploration so far has been limited with most of the recent gas discoveries made by Circle Oil. However, offshore potential could be significant. Kosmos's Fom Assaka field – offshore Morocco – which Fastnet is a junior partner on, is thought to be analogous to the giant 600mmboe Tullow-operated Jubilee field in Ghana. In our opinion Morocco is vastly underexplored compared to the activity in neighbouring African countries. Given its proximity to prolific hydrocarbon-producing provinces and its world-leading fiscal regime, any resources found would be extremely valuable. With the presence of successful explorers such as Anadarko – which played a significant part in proving the vast resources in East Africa – we believe Morocco could be an exploration hot spot in the future.



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**Exhibit 1: Best and worst performers**

		1 week			
No.	Best performers	% change	No.	Worst performers	% change
1	LENI GAS & OIL PLC	25.4%	1	BORDERS & SOUTHERN PETROLEUM	-75.6%
2	TETHYS PETROLEUM LTD	24.0%	2	ROCKHOPPER EXPLORATION PLC	-17.9%
3	GULFSANDS PETROLEUM PLC	17.9%	3	FALKLAND OIL & GAS LTD	-17.2%
4	CIRCLE OIL PLC	15.3%	4	COVE ENERGY PLC	-13.0%
5	AFREN PLC	15.0%	5	FORUM ENERGY PLC	-12.6%

		1 month			
No.	Best performers	% change	No.	Worst performers	% change
1	TETHYS PETROLEUM LTD	53.9%	1	BORDERS & SOUTHERN PETROLEUM	-79.7%
2	BANKERS PETROLEUM LTD	36.2%	2	MAX PETROLEUM PLC	-67.2%
3	MEDITERRANEAN OIL & GAS PLC	35.6%	3	INDEPENDENT RESOURCES PLC	-37.0%
4	CHARIOT OIL & GAS LTD	32.6%	4	AURELIAN OIL & GAS PLC	-35.5%
5	GULF KEYSTONE PETROLEUM LTD	31.4%	5	CADOGAN PETROLEUM PLC	-28.0%

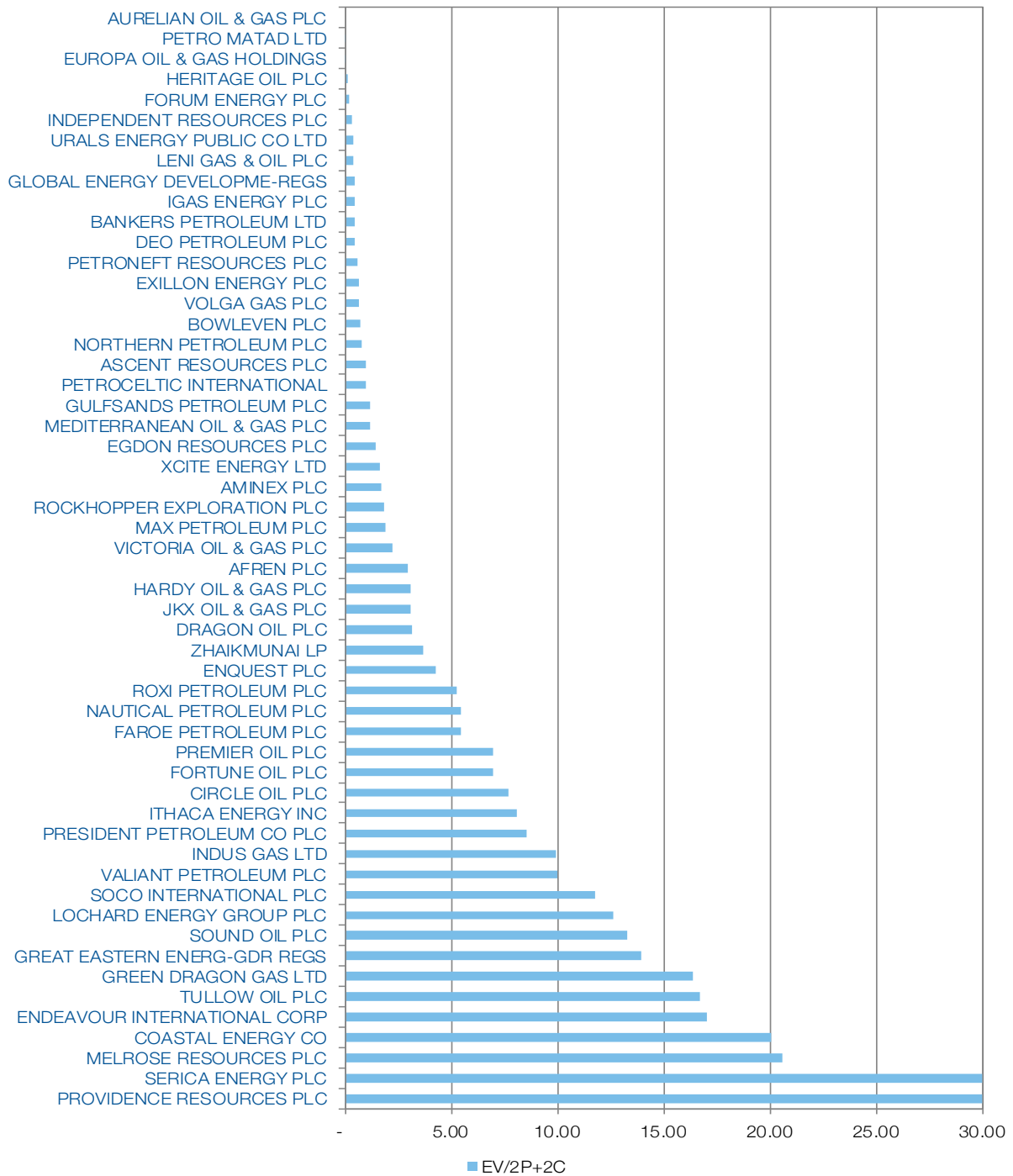
		3 months			
No.	Best performers	% change	No.	Worst performers	% change
1	MEDITERRANEAN OIL & GAS PLC	77.8%	1	BORDERS & SOUTHERN PETROLEUM	-88.0%
2	FORUM ENERGY PLC	67.4%	2	MAX PETROLEUM PLC	-73.3%
3	AMERISUR RESOURCES PLC	57.6%	3	INDEPENDENT RESOURCES PLC	-68.1%
4	GASOL PLC	50.0%	4	PETRO MATAD LTD	-60.6%
5	NAUTICAL PETROLEUM PLC	33.8%	5	AURELIAN OIL & GAS PLC	-54.0%

		6 months			
No.	Best performers	% change	No.	Worst performers	% change
1	PROVIDENCE RESOURCES PLC	140.5%	1	BORDERS & SOUTHERN PETROLEUM	-79.1%
2	AMERISUR RESOURCES PLC	102.6%	2	PETRO MATAD LTD	-74.3%
3	MEDITERRANEAN OIL & GAS PLC	100.0%	3	INDEPENDENT RESOURCES PLC	-71.3%
4	TETHYS PETROLEUM LTD	87.1%	4	MAX PETROLEUM PLC	-70.5%
5	COVE ENERGY PLC	74.4%	5	EXILLON ENERGY PLC	-62.4%

		1 year			
No.	Best performers	% change	No.	Worst performers	% change
1	PROVIDENCE RESOURCES PLC	163.8%	1	PETRO MATAD LTD	-90.8%
2	COVE ENERGY PLC	151.7%	2	FRONTERA RESOURCES CORP	-86.4%
3	FORUM ENERGY PLC	140.2%	3	AURELIAN OIL & GAS PLC	-85.5%
4	AMERISUR RESOURCES PLC	77.3%	4	BOWLEVEN PLC	-79.8%
5	COASTAL ENERGY CO	66.1%	5	PETRONEFT RESOURCES PLC	-79.0%

Source: Bloomberg

**Exhibit 2: EV/2P + 2C rankings**



Source: Bloomberg, company releases, Edison Investment Research

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