

Alliance News

Oilex Request Rejected But Timor Sea Contract Still To Be Terminated

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LONDON (Alliance News) - Oilex Ltd on Wednesday said a request on behalf of its joint venture partners in the joint petroleum development area in the Timor Sea to terminate the production sharing contract at no cost to the company has been rejected, but said the relevant authority has agreed to cancel the contract on its own terms.

Oilex said a request to the Autoridade Nacional do Petroleo to terminate the production sharing contract by mutual agreement, which would not penalise or fine Oilex, has been rejected as the authority tries to implement the terms and conditions of the contract.

"The request to terminate (the contract) followed joint venture concerns over the security of production sharing contract tenure as a result of developments within the joint petroleum development area, including joint petroleum development area 06-103, which are outside the control and influence of the joint venture participants," said Oilex.

Oilex's partners for the joint petroleum development area production sharing contract are Japan Energy E&P JPDA Pty Ltd and Pan Pacific Petroleum (JPDA 06-103) Pty Ltd with a 15% stake each and GSPC (JPDA) Ltd, Videocon JPDA 06-103 Ltd and Bharat PetroResources JPDA Ltd, which all hold a 20% stake each. Oilex holds the remaining 10%.

Oilex said the problems which are "outside the control" of the joint venture participants relate to a disagreement between the government of Timor Leste and the government of Australia about certain maritime arrangements in the Timor Sea, which have led to Timor Leste filing arbitration proceedings against Australia, causing concerns about the security of the production sharing contract in the disputed area from the joint venture companies.

The government of Timor Leste is trying to make certain maritime arrangements in the Timor Sea void, something that Australia has argued against.

On January 15, the Autoridade Nacional do Petroleo suspended the production sharing contract for three months whilst it considered Oilex's application to terminate the contract.

On Monday, the Autoridade Nacional do Petroleo informed Oilex its application to terminate the production sharing contract has been rejected, and instead awarded a further three month suspension of the contract whilst it prepares a notice to terminate which it will send to Oilex to cancel the contract.

No details have been revealed why Oilex's application has been rejected, which stated the application to terminate the contract at no cost to the company was "in accordance with its terms and without penalty or claim".

Oilex said it has not received a notice from the Autoridade Nacional do Petroleo about terminating the contract, but said the company and its partners will "consider the ANP's response to ascertain the most appropriate way forward", it said.

Oilex shares were down 1.4% to 3.45 pence per share on Wednesday morning.

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