DATE: 09 DECEMBER 2013
PUBLICATION: THE STAR
SECTION: BUSINESS
HEADLINE: SONA MAY BUY INDONESIAN OILFIELD FOR RM418MIL
CATEGORY: COMPANY NEWS
MEASUREMENT: 682.68 CM^2

Sona may buy Indonesian oilfield for RM418mil

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PETALING JAYA: Sona Petroleum Bhd, an oil and gas (O&G) cash shell, has identified a new oil field asset in Indonesia to buy after failing to clinch a deal in September.

Sources claim that Sona Petroleum is looking to buy a 100% stake in a Sumatra oilfield which is producing 1,500 barrels of oil per day. The oilfield is also said to have the capability of ramping up production to 4,000 barrels a day.

Sona Petroleum is currently conducting a due diligence on the assets and if it is favourable expects to conclude the deal by early next year. Sona Petroleum has been actively scouring for oilfields. It had reviewed one in Australia, but had since abandoned the idea.

Back in September, there was wide speculation that Sona was looking to take up a stake in Singapore-listed RH Petrogas Ltd, an O&G company controlled by Sarawak tycoon Tan Sri Tiong Hiew King. However that deal didn't come through.

Should the Sumatra deal go though, it would be Sona Petroleum's first qualified asset (QA).

The price tag for the acquisition that is being bandied about is US$135mil (RM418.5mil). Sona Petroleum is the third special purpose acquisition company (SPAC) to be listed on Bursa.

It raised RM550mil from its July listing and according to SPAC guidelines, these companies need to spend the bulk of the monies raised from its initial public offering (IPO) on their first QA, which needs to be concluded within three years of listing.

According to Wikipedia, a SPAC is a collective investment scheme that allows public stock market investors to invest in private equity type transactions, particularly leveraged buyouts. SPACs are shell or blank-cheque companies that have no operations but go public with the intention of merging with or acquiring a company with the proceeds of the SPAC's IPO.

Sona's stated plans are to acquire O&G assets that are already producing and whose cash flows would enable it to fund future acquisitions. Sona had raised RM550mil from its (IPO), with 90% of the proceeds being put into a trust.

Industry players reckon that securing a QA is increasingly becoming difficult. Not only is there an increase in the number of buyers, not the least being the Malaysian-listed SPACs themselves, but the weakening ringgit is also working against the Malaysian SPACs, the players say.

Under the Securities Commission's guidelines, at least 80% of the amount in the trust should be used for QAs, and that the acquisition has to be completed within 36 months from the close of the IPO.

Hibiscus Petroleum Bhd was the first SPAC to make its QA back in April 2012 when it acquired a 35% stake in Lime Petroleum Plc for RM168mil. It had started its drilling programme in Oman on Nov 25. Investors are now waiting to see whether Hibiscus strikes oil.

CLIQ Energy Bhd, the country's second SPAC, meanwhile, had said in June that it had shortlisted five assets for close scrutiny from a pool of 38 proposals.

The shortlisted assets are from Indonesia, Papua New Guinea and Malaysia.

However to date, CLIQ has not made any announcement regarding its QA.