
Nairobi raises its profile as new oil hunter arrives

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Kenya has sunk 40 oil wells—all of which are dry. The MV Chikyu was used in prospecting for oil off the coast of Lamu, but did not come up with anything.

April 14, 2008: Nairobi's profile as a regional exploration hub moved a notch higher with the arrival of yet another international oil miner, Vangold.

The development comes despite that fact that no oil has been discovered in Kenya compared with neighbouring Uganda and Tanzania, which have struck oil and gas respectively.

Vangold, a Canadian firm, is exploring for oil in Rwanda and Uganda but has chosen to manage its operations from Nairobi citing better financial services sector and infrastructure.

Dal Brynelsen, the President and CEO of Vangold's oil and gas interests in Kenya, Rwanda and Armenia, said the company had successfully opened offices in Yerevan and Nairobi to support its operations in Armenia, Kenya and Rwanda.

'These offices have been staffed with excellent technical people with the help of consultants in the UK and Canada. The three properties cover 43,000 sq kms and have exhibited excellent potential for hydrocarbons,' he said.

Kenya has a more advanced financial and telecommunications infrastructure that is becoming the centre of attraction for financiers of oil and gas exploration such as the Canada based Primary Capital Group, Capital Markets and Commodity Finance of Germany, Upstream and Structured Finance-Energy Group Natixis of France, Islamic Development Bank-Saudi Arabia and Afrexim Bank of Egypt.

Oil explorers operating in Kenya include Australian listed companies
- Gippsland Offshore Petroleum, Origin Energy, Woodside Energy and East Africa Exploration that have been allocated on and off shore Lamu basin.

Lundin Petroleum, China National Offshore Oil Company (CNOOC) and Vangold are licensed to cover the Anza basin. Turkana Drilling Company and Camex Company are exploring the Rift Valley's tertiary basin for oil.

Concentration of head offices of international oil explorers in Nairobi means that Nairobi will get a piece of millions of dollars that these companies are expected spend on oil exploration in the region. Besides, these companies are expected to broaden the labour market by employing locals as well as improve liquidity of financial institutions that will handle their money.

Nairobi's strategic location in the region puts Kenya in a better position to rake in the petrodollars even if no oil is found within its borders.

Despite intense activities by international oil explorers, Kenya is yet to discover any oil reserves even after sinking over 40 wells in the last ten years compared to Sudan which found massive oil stocks after sinking 78 wells.

Woodside Energy which had partnered with Global Petroleum quit Kenya last year after it failed to hit any hydrocarbons - the main components of fossil fuels, which include petroleum, coal and natural gas.

Australian oil exploration company, Hardman Resources Ltd recently discovered oil in neighbouring Uganda where commercial production should start in 2009 with initial production of 6,000 to 10,000 barrels a day. Tanzania on the other hand has spotted natural gas.

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Woodside has since left the country. But new entrants such as Lundin petroleum have begun new search.

Francis Karanja, the lead exploration geologist for Vangold reports of the existence of rocks in Anza basin that could yield oil.

`The prospects associated with Anza Graben in Block 3A acreage are the most promising and will be given the first priority by Vangold management. Two exploratory wells have been drilled in Block 3A,' said Mr Karanja.

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