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Mongolia: Emerging and Frontier Exploration Potential

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Mongolia is a vast country six times the size of the UK, and is the least populated nation by unit area on earth. It is also landlocked between two economic super powers; Russia to the north and China to the south. To date, the country remains largely unexplored for oil and gas. This is due in part to its remoteness, but more so, to the industrial isolation during its time as a soviet satellite and the incipient geopolitical uncertainty following democratic revolution in 1991. Today, Mongolia has emerged as a stable and fast growing economy, that requires ever more energy, and is motivated to achieve its own energy independence.

Mongolia currently imports about 90% of its refined products from Russia and exports 100% of its crude to China. This reliance on imports has motivated the government to pass attractive petroleum and investment legislation, the aim of which is to foster upstream and downstream investment and to promote home-grown hydrocarbon independence. As a result, Mongolia is a rare and attractive opportunity in today's oil market, with cheap onshore exploration costs and many frontier and emerging opportunities. It has remained under the radar of many post-soviet oil booms elsewhere for too long.

Apart from two small discoveries in the East Gobi Basin ca.1941 (Tsagaan Els and Zuunbayan; ~10MMBO produced), all production in Mongolia comes from Blocks XIX and XXI, in the Tamtsag Basin along the north eastern border with China. There, Petro China's subsidiary, Daqing Oil, successfully followed producing trends from China into Mongolia, resulting in daily production approaching 25,000 bpd (2015), boosted by EOR efforts in Tsagaan Els and Zuunbayan.

The proven petroleum system in Mongolia is a late Jurassic-early Cretaceous fluvial-lacustrine system, which is directly analogous to the prolific systems of eastern China (e.g. Songliao, Erlian and Hailar basins). The elements of this system are recognized in undrilled areas across Mongolia from field studies, new seismic, FTG and other data acquired by Petro Matad LLC over the last ten years. A second, late Palaeozoic – early Jurassic, petroleum system is highly productive in western China (e.g. Junggar, Turpan & Santanghu basins). While still unproven in Mongolia, its presence and potential are recognized.

Petro Matad is a well-established Mongolian exploration company with one of the largest acreage positions. Petro Matad is now gearing up for two basin opener frontier wells in 2017 in its 100% Operated Blocks IV and V in West Central Mongolia. It has brought modern exploration techniques into Mongolia, some for the first time, which has resulted in new geological knowledge to be presented, including a summary of the future oil exploration potential of its acreage. Petro Matad is currently seeking new farm-in partners to join its upcoming low cost high impact well programme to unlock the significant oil potential identified.