

Asia-Pacific Oil & Gas Deal of the Year 2013: Senoro Upstream

14/03/2014

Medcos \$260 million financing for its stake in the Senoro gas field in Indonesia is its first project financing and is also the first time that the upstream component of a major liquefied natural gas (LNG) project in Indonesia has been financed separately to its liquefaction facilities.

But Medcos financing for its \$274 million net share of the upstream elements interests will help push forward the development of the larger Donggi-Senoro LNG project. The shareholders in the Senoro liquefaction facility are understood to be nearing close on that \$2.08 billion financing.

The reserves-based loan is effectively a monetisation of Medcos shareholding in the Senoro upstream project. The projects shareholders are Medco (30%), through its subsidiary Medco E&P Tomori Sulawesi, Pertamina (50%), through its subsidiary PHE Tomori Sulawesi, and Mitsubishi Corporation (20%), through its subsidiary Tomori E&P.

The gas fields will supply 250 million cubic feet of gas per day to the plant, whose sponsors are Sulawesi LNG (a 75:25 joint venture between Mitsubishi and KOGAS, 59.9%), Pertamina (29%), and Medco (11.1%). The Senoro upstream project will meet around three-quarters of Donggi-Senoro LNGs gas requirement, with the rest coming from the Tiaka oil fields.

Medco signed the financing in July 2013, and closed the deal at the beginning of January 2014. The sponsor could not fund until it met conditions precedent that included obtaining environmental approvals and winning regulatory approval for offshore borrowing. The sponsor met the conditions in December 2013, but decided to wait until the beginning of this year to make a first draw on the facility.

The \$260 million loan is priced at around 500bp over Libor and was initially split equally between original mandated lead arrangers Standard Chartered and Bank Mandiri. Standard Chartered sold down a portion of its debt to lead ANZ and Natixis during a primary syndication, which closed in February. ANZ took \$30 million of the debt and Natixis took \$25 million.

The loan carries a maturity of 7 years and a grace period of 6 months. The loans amortisation schedule is determined semiannually based on a borrowing base determination that reduces as the loan is paid down. The aim of this redetermination is to hasten the amortisation of the facility and cap lenders exposure from the outset. The borrowing base is sized to meet a 1.4x loan life coverage ratio on the project.

The borrower used the proceeds of the loan to fund a one-off \$30 million distribution to Medco, which will allow it to pay down some of the debt the parent has used to fund the \$180 million it has so far sunk into the project. The borrower will draw on the rest of the loan as and

Medco E&P Tomori Sulawesi

STATUS

Signed 31 July 2013, financial close 2 January 2014, primary syndication close 4 February 2014

SIZE

\$274 million

DESCRIPTION

Reserve based loan to fund production costs for Medcos stake in the Senoro gas field, Central Sulawesi, Indonesia

OFFTAKER

Donggi-Senoro LNG

SPONSOR

Medco Energi

DEBT

\$260 million

INITIAL MANDATED LEAD ARRANGERS

Bank Mandiri (onshore account bank, syndication agent), Standard Chartered (facility agent, offshore account bank, syndication agent)

LEAD ARRANGERS

ANZ, Natixis

SPONSORS FINANCIAL ADVISER

Standard Chartered

SPONSORS LEGAL ADVISERS

White & Case; MD & Partners

LENDERS LEGAL ADVISERS

Norton Rose Fullbright; Susandarini & Partners

RESERVE ENGINEER

RPS Energy

TECHNICAL ADVISER

Lummus Consultants

when it receives capital calls to fund budgeted expenditure.

ENVIRONMENTAL
CONSULTANT

The financing adheres to both onshore and offshore lending conventions to make it attractive to both international lenders and Medcos traditional onshore relationship banks. It also allows Medco, which has borrowed extensively in the US high-yield market, to broaden its familiarity with project finance lenders. Medco has had to offer some completion support to lenders, but this will fall away once the upstream project meets its completion tests.

ERM
INSURANCE ADVISER
PEER-SOL Consulting
EPC CONTRACTOR
Samsung and Tripatra
Engineering

The upstream project is near completion and is due to start feeding gas to the plant at the end of December this year. The Donggi-Senoro LNG plant may face slight delays, but they would be unlikely to have any material effect on the upstream component, which is ring-fenced from the LNG plant.

The Donggi-Senoro LNG project is about 90% complete, and the sponsors are said to be close to producing a term sheet agreement for a long-term financing with its lenders, which include financial adviser Societe Generale, and several export credit agencies including Kexim and JBIC, for which SMBC is coordinator.

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