

One-time Macquarie banker claims he found oil worth \$30b in Cuba

Exploration

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Andrew Purcell, a former junior Macquarie investment banker, says the energy company he chairs began pumping oil from a well in Cuba this week, a step towards obtaining the 267 million barrels his geologists estimate could be extracted from the field.

At 80 per cent of current prices – a discount applied because of the Cuba government's control of oil prices in the Caribbean communist nation – the little-known, Sydney-based Melbana Energy's oil discovery on Cuba's northern coastline is worth about \$30 billion.

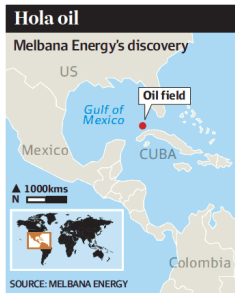
But Melbana is only valued at \$250 million on the ASX because it owns 30 per cent of the field, and investors are uncertain it will ever extract the oil and sell it. Angola's Sonangol owns the rest.

Mr Purcell has had mixed success in the energy industry. A previous attempt by a company he chairs, AJ Lucas, to produce shale gas in Britain was abandoned after the government imposed a moratorium on hydraulic fracking in 2019.

Last year, Melbana was dealt a 36 per cent protest vote against its remuneration report over unhappiness with the company's performance, triggering a first "strike" that could be repeated at next month's annual meeting in Melbourne.

Shareholders will be asked to approve \$600,000 of incentive payments to Mr Purcell at the meeting. If more than 25 per cent of proxies are cast against its executive pay scheme, Mr Purcell and other directors on the board will face a spill motion.

Melbana began production in Cuba on Wednesday, according to Mr Purcell, whose stake is worth \$17 mil-



lion. He said the company intended to initially pump small amounts of oil out to test its equipment, storage tanks and procedures. "We're shaking it down," he said. "Let's see where it breaks."

Until Melbana declares the oil field "commercial", it won't get paid for the oil, which will be held by the Cuban government. When or if that happens, the Melbana team will have to negotiate a price with government officials for the oil it has produced and intends to produce in the future.

Mr Purcell, an electrical engineer who worked at Macquarie for about a year in the early 1990s, said he expected the price would be greater than 75 per cent of West Texas Intermediate, the US benchmark. The Hamas-Israel war has driven up that price to about \$US88 (\$140) a barrel.

Cuba's desire to attract foreign capital made the government more likely to treat Melbana fairly, he said. "They get the fact they need to do things differently," he said.

In 2014, the National People's Power Assembly introduced a law allowing, "on an exceptional basis", foreign cor-

porate ownership of Cuban property. The law led to an influx of investment.

Australia has no diplomats in Havana, but about a dozen Australian companies conduct business with the country, according to Kim Prior, the chairman of the Australia-Cuba Business Council.

US sanctions could make it difficult for Australian companies to find banks able to operate in both economies, she said. "Typically companies who are working in Cuba make a decision about whether they want to work in Cuba or the US."

Senior officials from the Cuban mines and energy ministry are scheduled to attend an international mining conference starting on October 31 at the Sydney International Convention Centre.

The Cuban embassy in Canberra, which opened in 2008, did not respond to a request for comment.

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