

# Oil and Gas Investor

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Private operators press on through adverse environments.

**HART**ENERGY

# EXPLORING EGYPT

Apex International is succeeding in Egypt, just not quite the way founder Roger Plank planned.

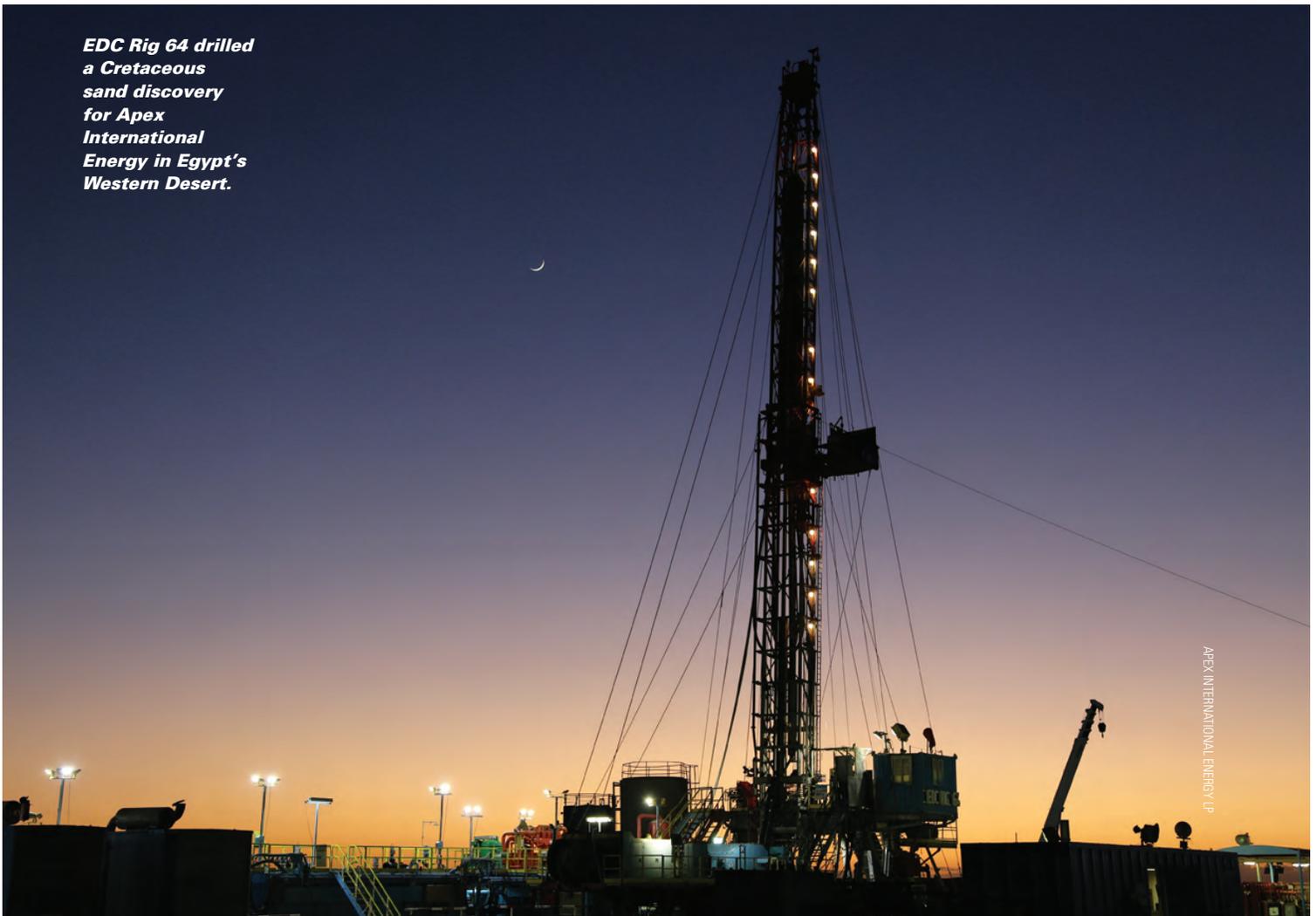
ARTICLE BY  
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The best laid plans often go astray, and this is especially true when someone is trying to establish a new E&P company. Unforeseen circumstances can block progress—commodity prices decline, negotiations fail, deal flow dries up, whatever. For Houston and Cairo-based Apex International Energy LP, the road to success was unexpected, for opportunity in Egypt knocked in the reverse order from what the owners envisioned. Luckily, Apex has made three discoveries in the Western Desert, with the most prolific one, the SEMZ-11X, announced in January.

“When we heard about the well, we did high fives and then drank a beer. It was our first substantial discovery. There were just three of us in the [Houston] office at the time, so we celebrated for about 45 minutes—and then we went back to work,” said founder and CEO Roger B. Plank.

Testing 2,100 barrels a day (bbl/d), the SEMZ 11X was validation that Apex was on its way after the challenges Plank’s team had while creating Apex, a startup devoted to exploration and production in Egypt and the Middle East.

*EDC Rig 64 drilled a Cretaceous sand discovery for Apex International Energy in Egypt’s Western Desert.*





Source: Apex International Energy LP

**Apex International Energy LP holds 100% working interest on 2,534 square kilometers in the Western Desert, on a concession acquired in a 2016 bid round.**

First came the COVID-19 crisis. Last March, Plank flew to London to meet with some of his investors including Blue Water Energy LLP, a midmarket private equity firm that was part of the group that backed his startup in October 2018. But then the coronavirus became global news and things began shutting down. Flights from the U.K. to the U.S. were banned. He made it home on one of the last planes before the ban took effect in March 2020.

“We had a board meeting in London on March 10 ... but then I barely made it home under the wire, right before the door got shut,” he told *Investor*.

Then there was the Russia-Saudi price war that slammed the oil and gas industry around the world, which unfolded at about the same time. Like most companies, Apex had to cut some G&A, but the downturn did not affect Apex as dramatically as Plank was used to seeing at a bigger E&P, because Apex as a startup had no revenue yet.

“Still, some of the wind went out of the sails for our investors. We were trying at the time to make the dream come true, to make a discovery or acquire some production,” Plank said.

### Why a startup in Egypt

Plank began thinking about establishing the company in 2015. He had retired from Apache Corp. in 2014 after a 32-year career there, serving as CFO and president. His late father, Raymond, created the company in 1954 and entered Egypt in 1994. Apache was one of the first independents to establish a presence in several foreign areas, including Canada and the North Sea. It is the largest foreign investor in Egypt.

“I really enjoyed my retirement, and it wasn’t like I just really had to go back to work. But I was still in my 50s then and I asked myself, ‘Is this it?’ I felt like I had unfinished business and that it would be fun to build something. It’s not the easiest thing in the world, starting a company, but it afforded me the opportunity to keep working with some really great people that I respect.”

Part of the allure of Egypt was that too many other people were running to the Permian Basin at the time. Besides, Plank was familiar with the opportunities, the resources, key people and the investment landscape of Egypt, as it has been a cornerstone of Apache’s international assets for many years.

Last year Apache reported spending \$840 million in Egypt; the year before, \$1 billion. Its latest guidance calls for five or six rigs to operate there this year, although the company conceded its Egyptian production will decline slowly while it devotes more capex to its discovery in Suriname.

Plank started getting serious about forming a new company in 2015. At lunch one day, an investment banker friend said to him, “You know, Roger, you ought to go talk to some private equity guys.”

“That appealed to me; that resonated,” Plank recalled. Warburg Pincus LLC was the original seed investor in Apex, and along the way it introduced Plank and his team to the International Finance Corp. and Blue Water. Apex management also owns a stake. President and COO Tom Maher, who worked at Apache for 30 years, including in Egypt, heads up Apex’s Cairo office where there are 22 employees. Several other Apache alums with Egypt



**After about 45 minutes of celebration for its 11X discovery in Egypt, the Apex team went back to work, said CEO and founder Roger B. Plank.**

“My dad used to say you can’t let short-term problems change your longer-term focus. You really have to focus on your Northern Star if you get blown off course.”

—Roger Plank

stamped on their passports help run the operation, along with several Egyptian nationals.

#### **Early days, first steps**

“Coming out of Apache after 32 years and starting up a company was a challenge, but I’m glad I punched back in and threw caution to the wind,” Plank said. “But then after the initial excitement of it, reality sets in. So now, finding the right investment opportunities that earn adequate returns for our investors is the biggest challenge.”

“A friend of mine used to say that the difference between success and failure is this much (picture a short distance between your thumb and forefinger), and that’s taken on new meaning for me.”

Armed with a dream, experience and funding, Plank also had some good luck early on. The company was formed, but how to get into Egypt? The country normally offered concessions every three or four years, but it sped up that timetable during an industry downdraft when the price of oil fell and demand for new concessions was low. Egypt held a bid round just as Apex was standing up. The fledgling company bid on three concessions and was awarded two. “For a tiny little company, we were elated,” Plank said.

In August 2017, Egyptian General Petroleum Corp. (EGPC) signed a \$21 million exploration agreement with Apex in the Southeast Meleiha concession in the Western Desert. Apex owns 100% of the contractor interest. Now that oil has been found, Apex and EGPC will form a 50:50 joint venture to operate it once the development lease around the SEMZ-11X is approved by the Ministry of Petroleum.

A critical next step is to define the extent of the productive area. Agreeing on the development plan could take a year, Plank explained. This process is currently underway with the goal of starting production in the third quarter of this year, he said.

“Our hope and intent early on was to be able to buy producing assets in the Western Desert and use that cash flow as a basis to grow, to explore,” Plank said. “But opportunity knocked in the reverse order before any acquisition materialized.”

In this case, the plans didn’t work out the way Plank thought they would, but the result was still gratifying. While the company scouted for acquisition opportunities, it also began drilling as good deals had not yet materialized. Apex made three straight discoveries on its Southeast Meleiha concession in 2021, after drilling three dry holes on the West Badr el Din concession in 2019 and 2020.

The company’s biggest success, announced in January 2021, the SEMZ 11X, is 10 kilometers west of Zarif Field, which has cumulative production of about 25 million barrels. Drilled to total depth of 5,700 feet, it found 65 feet of pay in Cretaceous Bahariya sands. Testing resulted in 2,100 bbl/d with no water. Additional pay in the Upper Bahariya and

Abu Roash G formations can be added later, Plank said.

“It’s a bit early to see what the 11X could mean to us, but our pre-drill, P50 estimates were about 4.5 million barrels and our P10 was more like 10 million. Again, we’ve got to appraise it ... but that’s one investment that will pay out, I think,” Plank said. These reserve estimates do not include the other two discoveries or another handful of Bahariya prospects that were mapped on seismic and that will be drilled in subsequent campaigns.

The 11X was the second of three discoveries drilled on the concession. In 2019 and 2020, the company arranged a \$13 million, 1,342-square-kilometer 3-D seismic shoot, which Plank thinks is a lot for a small company like Apex. In December, the first well, SEMZ-1X, found 17 feet of Bahariya pay and tested 100 bbl/d. This well will be fracture stimulated sometime later this year, he said. The most recent third well, SEMZ-3X, tested 233 bbl/d of oil from 27 feet of Bahariya pay with no water.

Next up is the fourth well, an appraisal for the 11X discovery.

#### **Looking for a deal**

Apex continues to monitor the scene with hopes of making an acquisition to boost its presence in Egypt. “At this point, we haven’t bought anything, and there’s a degree of frustration,” Plank said. “But at the same time, our investors still have money they want to put to work, so we’re still looking, and we’ve got a few things we are chasing.”

The landscape in Egypt has been changing and impacting deal flow. For example, Shell, which has operated in Egypt since 1911, announced its intention to divest its onshore Egyptian oil assets to focus on its gas assets offshore the Nile Delta. Last November, it engaged Citigroup to help with the sale. Scottish independent Cairn Energy Plc and Dubai’s Dragon Oil Plc were thought to be among the interested buyers, but M&A action has slowed down due to oil price volatility and COVID-19 travel restrictions. No Shell deal has been announced yet.

“Now that we have this discovery under our belt, we have the ability to grow organically,” Plank said. “So we’re on our way, just not how we envisioned. It reminds me of what [Gen. Dwight D.] Eisenhower once said: ‘Plans are worthless, but planning is everything.’ It never pans out exactly how you planned, but by being opportunistic and making adjustments, you can still find a way to succeed. Fortunately, we have very good people on our team who know what they’re doing.”

“My dad used to say you can’t let short-term problems change your longer-term focus. You really have to focus on your Northern Star if you get blown off course. You make course corrections. That’s a bit of what we’ve had to do—we jumped at the opportunity to drill earlier than we anticipated.”

“It’s been a wild ride, it’s not been a straight line, but it’s been fun to bring it to this point.” □