

Bids & Pieces

Southeast Asia

BP-ENI in CBM Venture

As of 2 December 2009 a consortium led by Vico, a joint venture of BP and ENI signed a production-sharing contract with Indonesia for the exploration and development of coalbed methane resources on the Sanga-Sanga block in East Kalimantan, Indonesia. The venture is touted as "the first significant development" of CBM in Indonesia.

The Sanga-Sanga CBM PSC was awarded to a consortium of operator Vico 7.5 %, BP 26.25 %, ENI 26.25 %, VIC 15.625 %, Opicoil 20 %, and Universe Gas & Oil 4.375 %. Vico and VIC are joint ventures owned 50:50 by BP and ENI, giving each company a total 37.8 % interest in the contract.

The PSC covers an area of 1,700 sq km in East Kalimantan's Kutai basin, where preliminary studies suggest the block has a CBM resource potential of at least 4 tcf of gas subject to further appraisal. BP said the PSC overlays the same acreage as the existing Sanga-Sanga conventional PSC, which has extensive gas production infrastructure already in place with access to markets internationally through the Bontang LNG plant as well as to local customers.

Pertamina to Supply LNG to Tohoku

In December 2009 Pertamina signed a 15-year agreement to supply 125,000 tons of liquefied natural gas (LNG) per year to Tohoku Electric Power Co. The gas would be supplied from the BP-led Tangguh project in Papua.

Tangguh shipped two LNG cargoes to South Korea and China in July, a cargo to Mexico in August, a cargo to South Korea in September and a cargo to China in October. Oil and gas watchdog BP Migas said Tangguh planned to export 50 cargoes in 2010. The Tangguh LNG plant has a capacity to produce 7.6 mm tpy via two trains.

BHP Billiton and PNOC to Developing Philippines Project

Towards the end of 2009 PNOC Exploration has confirmed that it has signed a joint venture agreement with BHP Billiton Petroleum to develop the West Balabac offshore oil block in the central Philippines.

Under the agreement, BHP will operate Block SC 59, or the West Balabac project, with a 75 % stake. PNOC-EC will hold the remaining 25 %, PNOC said. PNOC's exploration and production license over West Balabac covers around 14,760 sq km and is located in the Palawan Basin. The contract to explore and develop the project was awarded to PNOC-EC in January 2006.

BHP Billiton Petroleum is a unit of BHP Billiton.

Swiber Wins Myanmar Pipeline Contract

In November 2009 Swiber Holdings announced its latest contract win, which marks its first foray into Myanmar.

The Group announced that it has successfully signed a Letter of Award (LoA) with a Myanmar oil and gas company, worth \$77.0 mm, which further boosts Swiber's current order book. Under the LoA,

Swiber will provide offshore installation works for 150 km gas pipelines. The 6-month project is expected to commence in the 1st quarter of 2010 with the date of completion targeted for the 2nd quarter of 2010. Preparation work began in December 2009.

Malaysian Firm and Vietsovpetro to Operate New Field

Malaysian firm Bumi Armada and Vietnamese-Russian joint venture Vietsovpetro have been awarded contracts to operate a new oil field called White Rhinoceros in the Cuu Long Basin of coastal Vung Tau City.

The Hoang Long Joint Operating Company signed three deals with the Malaysian firm and the joint venture which established an alliance to run the field also called TeGiac Trang (TGT) for seven years, with an option of yearly extensions to 15 years. The deals have a total worth of \$ 700 mm.

Bumi Armada would be responsible to supplying alliance with a floating production storage and offloading vessel which has a capacity of 45,000 barrels of oil per day and a storage capacity of 100 mm barrels of processed oil with water and gas injection, said Hoang Long's chief executive officer Ngo Huu Hai. He said the joint venture would conduct offshore installation and subsequent maintenance of the vessel to operate the field.

The first production of oil from the field with estimated reserves of 300 mm barrels of oil about 20 km northwest of the Bach Ho field and 35 km west of Rang Dong field is expected by the second

quarter of 2011, Hai added.

Hoang Long which has the TGT concession for 10 years, is a partnership comprising PetroVietnam, Soco International, national petroleum exploration and production company PTTEP and Opeco Vietnam.

Niko Resources to Expand Deepwater Exploration in Indonesia

Canadian oil and gas explorer Niko Resources has said it will buy Black Gold LLC to expand its deepwater exploration acreage in Indonesia. Niko said the deal will require about C\$ 310 mm (\$ 298 mm) of financing and the company plans to fund the acquisition with convertible debentures.

Black Gold and Niko are already partners on all of its Indonesian blocks.

Black Gold Energy (BGE) is a privately held oil and gas exploration company formed and incorporated in the United States in 2006. BGE has been active in Indonesia since its formation with BGE subsidiaries conducting ten joint studies with the Indonesian Directorate General of Oil and Gas (MIGAS) in frontier basins from offshore West Sumatra to offshore West Papua.

In 2008 and the first half of 2009, BGE was awarded a participating interest in 8 Production Sharing Contracts (PSCs) which were generated from the original joint study areas. It was announced in September 2009 that BGE had been awarded an additional 3 PSCs, bringing to 11 the number of Indonesian blocks in which they participate.

BGE has been tendering for an extensive, multi-PSC 2D seismic acquisition program, which will be used for exploration well planning. Data acquisition is scheduled to start in October 2009 and will be followed by a multi-well, deepwater drilling campaign beginning in 2011. Black Gold Indonesia oper-

ates the Seram PSC (Offshore Seram) and the South Matindok PSC (Offshore/Onshore Central Sulawesi).

PetroVietnam Expecting 40,000 bpd Output from New Field in 2011

PetroVietnam announced that it is expecting production output from a new oil field, Te Giac Trang, or White Rhino, to be around 40,000 bpd when it starts production in 2011, the group's technical arm PTSC PVS.HN has said.

Production facilities will be completed by July 2011 at a cost of about \$ 150 mm and commercial production is planned to begin in the third quarter of 2011, PTSC, which is in charge of developing the field, said.

Output from the field would raise national output, which now stands at 340,000 bpd, by more than 10 %, an official from PetroVietnam has said.

The Pacific

Australia in \$ 82 bn LNG deal with Japan

At the end of 2009 Australia signed a A\$ 90 bn (\$ 82 bn) deal to supply liquefied natural gas (LNG) to a Japanese power company in what is believed to be the country's biggest export sales contract. Western Australia Premier Colin Barnett said the long-term gas sales agreement between Chevron and the Tokyo Electric Power Company would see 4.1 mm tons of LNG sent to Japan each year.

In September, Chevron, Shell and ExxonMobil agreed to develop the Gorgon field, the world's largest LNG plant, which along with other LNG projects planned for the Western Australia and Queensland over the next decade could see Australia challenge Qatar as the world's major gas exporter.

Kupe Gas Project off New Zealand Starts Up

Origin Energy New Zealand has

begun commissioning the offshore Kupe field with initial production, moving natural gas and liquids ashore via pipeline to a gas processing plant at Hawera. Full start-up is likely within 2 months.

Kupe gas project participants are Origin (50 %, operator), a wholly owned subsidiary of Origin Energy; Genesis Energy (31 %); New Zealand Oil & Gas (15 %); and Mitsui E&P Australia. (4 %).

According to sources once Kupe starts full operations, it would provide 10-15 %/year of the country's gas demand for 15-20 years. Kupe will produce up to 90,000 tpy of LPG, more than 50 % of the country's demand.

Over the project life, Kupe is expected to provide 6.6 bn cm of gas, 1.1 mm tons of LPG, and 14.7 mm bbl of light crude.

Sinopec and Exxon sign deal for Papua New Guinea gas

Sinopec announced that it has signed a 20-year contract with ExxonMobil Corp. to buy gas from Papua New Guinea, in the latest of a flurry of foreign deals to secure fuel for China's booming economy. The liquefied natural gas will come from a project being developed by ExxonMobil and other investors in Papua New Guinea's central highlands.

The contract calls for Sinopec to buy some 2 mm tons of gas per year, which it will import through a terminal in China's eastern port of Qingdao. The supplies "will play a positive role in meeting the local demand, optimizing the energy mix and improving the local environment," said Sinopec's senior vice president, Wang Zhigang.

Other participants in the Papua New Guinea project are Australia's Oil Search, Japan's Nippon Oil, Mineral Resources Development and Petromin PNG Holdings, according to Sinopec.

Chinese energy companies have signed a multibillion-dollar string of deals to import oil and gas from the Gulf, Africa, Central Asia and elsewhere. In August, Sinopec rival PetroChina reached a \$ 41 bn deal to buy natural gas from Australia's Gorgon field.

Greymouth to Have New Zealand's Kowhai Gas Discovery Onstream Soon

Greymouth Petroleum is progressing the development of the Kowhai gas field onshore in Taranaki after well testing confirmed a sizeable field and after gaining a mining permit. Kowhai is adjacent to Greymouth's Turangi mining permit and is expected to be on-stream by March 2010. Greymouth estimates the field has probable reserves of 134 petajoules of gas and 3.2 mm barrels of condensate. The award of a mining permit for the field would facilitate its development.

The Kowhai field would supply gas to industrial users like farming co-operative Balance Agri-Nutrients, which owns the Kapuni ammonia-urea fertiliser plant, which uses natural gas as feed stock. Initiatives were under consideration for residential supply.

InterOil Produces Record Gas Flow at Antelope

InterOil, Cairns, has surpassed its previous record-high gas flow rate in its onshore Antelope field in Papua New Guinea with an impressive 705 mm cfpd flow rate from the Antelope-2 appraisal gas well. The gas flow was accompanied by 11,200 bpd of condensate. InterOil noted that the surface flowing tubing pressure during the test was 1,258 psi through a 6-inch choke that was opened to 4 3/8 inches.

Antelope-2 was drilled to evaluate the southern extent of the Antelope reef reservoir. In March, the company flowed gas from

Antelope-1 at 382 mm cfpd and 5,000 bpd of condensate in March. Antelope-2 was foreshadowed in September when the company said it had encountered the top of the reservoir about 345 ft higher than predrill estimates. At the time, InterOil Chief Executive Officer Phil Mulacek said the additional 345 ft of reservoir could result in a meaningful increase in gas estimates.

Australian Gorgon Project Breaks Ground

The enormous \$ 37 bn Gorgon natural gas project in Australia, a joint venture between Chevron, Shell and ExxonMobil, has broken ground. When works are completed Barrow Island will be home to three liquefied natural gas (LNG) processing trains, a domestic gas facility, LNG loading facilities and a carbon injection plant.

The Gorgon project, is operated by Chevron who own 50 % of the joint venture with ExxonMobil and Shell each owning 25 %. The current estimated costs of \$ 37 bn covers the first phase of development and the first gas is planned for 2014. The Greater Gorgon Area's projected natural gas resources are equivalent to 6.7 bn barrels of oil. The project's scope includes a three-train, 15 mm-tpy liquefied natural gas (LNG) facility and a domestic gas plant.

The Orient

CNPC Plans Pipeline Venture in Shandong Province

China National Petroleum Corp. established a joint venture with domestic refiner Shandong Dongming Petrochemical Group to build and operate a 462-km crude pipeline in Shandong province from the port city of Rizhao to the Dongming refinery. According to BMI analysts, the pipeline is part of CNPC's strategy for enhancing its oil and gas transport

and distribution systems in China.

CNPC said the pipeline will have a capacity of 10 mm tpy in the first phase of construction, rising to 20 mm tpy in the second phase. Start up of first phase of the \$293 mm line is scheduled for June 2011. No date was provided for construction or start up of Phase 2.

Using domestic crude supplied from Xinjiang as well as imported fuel oil, the Dongming facility currently produces 100,000-140,000 tons/month of refined products, sold mainly into Shandong and nearby eastern China provinces. However, it is expected to increase its designed crude processing capacity to 6 mm tpy from the current 3 mm tpy by yearend, with further plans for construction of a 5 mm tpy crude distillation unit from 2010.

Word of the expansions came in August when Shandong Dongming Petrochem signed an agreement with Singapore-based logistics services provider Freight Links Group to build an additional 5 mm tpy refining complex. The projected complex would consist of a 1.5 mm tpy fluid catalytic cracker; a 1.6 mm tpy delayed coker; and a 2 mm tpy hydrotreater.

Shandong Dongming Petrochem also negotiated with Total in August about possible cooperation on an oil products retail terminal network. In October, however, a 5 mm ton refining plan by the two firms came to nothing after the Chinese company reportedly set a higher policy threshold for joint-venture refining projects.

In addition to its projects with Shandong Dongming Petrochem, CNPC launched construction of six other oil and gas pipelines in the region, including the Northern Xinjiang natural gas pipeline, the Huianpu-Yinchuan crude pipeline, the Shikong-Lanzhou crude pipeline, and the Shandong natural gas pipeline.

Sinopec Begins Phase 2 of Pearl River Pipeline

Sinopec has started construction of the second phase of its oil products pipeline in the Pearl River delta running from Meizhou to Huizhou in Guangdong province, the most energy-hungry province in China. The second-phase pipeline, with length of 498 km and designed transportation capacity of 3.75 mm tpy, is an extension of the first phase that links Zhanjiang and Huizhou, both coastal cities in Guangdong province.

The second-phase pipeline, scheduled to enter into operation in 2010, is expected to lower transportation costs for Sinopec and strengthen Sinopec's presence in the Pearl River delta, as the pipeline extends across 11 counties and more than 40 towns.

PetroChina's Sebei-Xi'ning Parallel Gas Pipeline Comes Onstream

China's largest oil and gas producer PetroChina announced the operation of Sebei-Xi'ning parallel gas pipeline, which will pump 3.6 mm cm of gas to Xi'ning, capital city of Qinghai province.

The operation of the natural gas pipeline will ease tight gas supply in northwest areas including Qinghai, Gansu and Ningxia, said an industry expert.

Zong Yiping, general manager of PetroChina Qinghai Oil and Gas Company, said that the gas also will be pumped into West-to-East gas pipeline, helpful to increase gas supply in the areas.

Sebei-Xi'ning parallel gas pipeline is part of the 915-km Sebei-Xi'ning-Lanzhou gas transmission pipeline, with construction work started from September 2008.

Since 1996 the Sebei Gas Field has been under development, and thus far has 491 gas producing wells and 15 gas gathering stations. It by now has produced 19 bn cm of gas with more

than 270 bn cm of proven recoverable reserves.

South Asia

RIL Becomes India's Largest Gas Producer

India's largest company by market capitalisation Reliance Industries Ltd (RIL) has surpassed the public sector oil and gas behemoth ONGC in production by about 0.55 mm cmpd as its production figures crossed 50 mm cmpd.

RIL's KG D-6 field has started producing 50.15 mm cmpd as per the output report submitted by the RIL to the petroleum ministry. This has helped country to cross the mark of 100 mm cmpd in terms of gas production.

The combined production from ONGC's various field is 49.6 mm cmpd. And third largest gas producer is BG group which operates Pana/Mukta and Tapti fields.

RIL, which had begun gas production from KG D-6 on April 2, is targeting a peak output of over 80 mm cmpd from fields. Bechtel is developing India's first deepwater gas field in the Bay of Bengal, the KG-D6 Gas project, for Reliance Industries.

Cairn's Indian Mangala Oilfield Output Reaches 1 mm Barrels

Cairn India's Mangala oil field in Rajasthan, which began production in late August, has now reached 1 mm barrels of oil output from the nation's most prolific onshore field. Sources have said, "Cairn achieved the milestone of successfully producing and delivering 1 mm barrel of crude oil in the early hours of November 29, 2009".

The company, which began output from Mangala on August 29 this year, is currently producing 20,000 bpd. The initial volumes of crude oil were sold to Mangalore Refinery and Petrochemical, a subsidiary of state-run Oil and Natural

Gas Corp and Reliance Industries.

Mangala field, which was discovered in January 2004, is the largest onshore oil discovery in India in more than two decades. Mangala and adjoining Bhagyam and Aishwariya fields have recoverable oil reserves of nearly 1 bn barrels.

The Mangala oil field is located in licence RJ-ON-90/1. Sources said crude is currently being supplied to two of the three buyers MRPL and RIL. Indian Oil Corp is expected to get its supply from 2010.

IOC to Invest \$ 996.8 mm in Pipeline Projects

Indian Oil Corp (IOC) will invest Rs 46.50 bn (\$ 996.8 mm) in laying crude oil and petroleum product pipelines over the next three years, Minister of State for Petroleum and Natural Gas Jitin Parasada stated.

IOC is implementing crude oil pipeline projects worth Rs 31.68 bn and product lines of Rs 14.82 bn, he said in a written reply to the Lok Sabha (lower house of Indian parliament).

"The projects are expected to take 30 to 36 months from the date of investment approval by the Board," he said. "The projects are expected to cover the state of Assam, Orissa, West Bengal, Uttar Pradesh, Gujarat, Rajasthan, Delhi and Haryana."

The projects include a Rs 6.62-bn crude oil pipeline from offshore to the under-construction Paradip refinery in Orissa. A Rs 17.93-bn line would be laid from Paradip to Ranchi via Sambalpur and Raipur to transport fuel produced at the refinery.

Prasada said IOC has set up 2,672 low-cost petrol pumps in rural areas called Kisan Sewa Kendras. Hindustan Petroleum Corp Ltd. (HPCL) has set up 1,334 similar outlets under the brand name Hamara Pumps and Bharat Petroleum Corp Ltd. (BPCL) set up 785 rural retail outlets. 