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Petronas in RM12bn gas PSC with Esso

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PETROLIAM Nasional Bhd (Petronas) yesterday signed a 25-year production sharing contract (PSC) with Esso for the RM12 billion natural gas development in offshore Peninsular Malaysia.

The new gas PSC, effective January next year, is to provide a long-term security of gas supply to the Peninsular Gas Utilisation (PGU) project.

The national oil company president and chief executive officer Tan Sri Mohd Hassan Marican said the agreement will consolidate the development of gas fields in offshore peninsula currently under Esso Production Malaysia Inc (EPMI) and Petronas Carigali Sdn Bhd.

The agreement will optimise the cost and operational efficiency through an integrated development approach and through the sharing of infrastructure between the two contractors.

"This new PSC will meet about two-thirds of the projected demand for gas in Peninsular Malaysia for the next 25 years.

"The estimated gas reserves in the fields stand at about 12.5 trillion standard cu ft," Mohd Hassan told a news conference in Kuala Lumpur yesterday after the signing of the PSC between Petronas and Esso.

He said basically the new agreement consolidates the development of all gas fields in offshore peninsula which belong to EPMI and Petronas Carigali.

He said the gas fields which belong to both companies will be divided into the northern and southern part.

"The northern part will be operated by EPMI and the southern part by Petronas Carigali, on a 50-50 participating interest," he added.

Under the agreement, EPMI will surrender to Petronas all except two of the undeveloped gas fields awarded to the company under the Natural Gas Project and Sales Agreement (NGPSA) signed in 1990.

Both EPMI and Petronas Carigali will relinquish all the undeveloped gas fields in the PM-5 and PM-8 PSCs, respectively.

At the signing of the gas PSC, Petronas was represented by Mohd Hassan, EPMI by Esso Companies in Malaysia chairman and chief executive Phillip J. Dingle, and Petronas Carigali by its director, Datuk Hamzah Bakar.

Also present were Petronas chairman Tan Sri Aziz Zainul Abidin and Exxon Corp chairman Lee Raymond.

Earlier, in his speech, Raymond said the PSC covers development of natural gas from 15 fields by Petronas Carigali and EPMI, as well as providing for the sale of the gas produced to Petronas.

"This will be the first large-scale combined oil and non-associated gas development to be installed offshore Peninsular Malaysia.

"Engineering work on this field will begin immediately, with first production scheduled in 2002," he said.

He said new platforms and associated infrastructure will be installed over the next 15 years to develop the gas resources included in the new gas PSC.

Significant modifications will also be made to existing operating platforms to provide for gas cap production, he added.

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