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PETRONAS-PRODUCTION

PETRONAS NOT LOOKING AT REDUCING OIL PRODUCTION

KUALA LUMPUR, Jan 27 (Bernama) -- Petronas, the national oil corporation, is not considering a cut in oil production at the moment despite the sagging world oil prices.

Petronas chief executive officer Tan Sri Mohd Hassan Marican said today although crude oil prices are now at their historic low, Petronas continues to generate revenue while its Production Sharing Contracts (PSC) partners are still able to make a profit.

"For the moment, we are not considering any reduction in production," he told newsmen after signing a PSC agreement with Murphy Oil Corporation of the United States here.

Last week, Prime Minister Datuk Seri Dr Mahathir Mohamad had said the country could reduce or even stop oil production if prices fall too low.

Cutting production would have some impact on oil reservoirs and production facilities while Malaysia's export volume is small compared to the oil available in the world market, said Hassan.

Malaysia currently produces 630,000 barrels per day (bpd) of crude oil, of which 400,000 bpd are exported.

Hassan explained that the current ringgit exchange rate (pegged at RM3.80 per US dollar) has also slightly cushioned the effect of the lower crude oil prices.

In addition, the high quality and low sulphur content of domestic crude has enabled Malaysia's oil to command slightly higher prices than those produced in other countries, he said.

Hassan also said oil prices have their up and down swings, and they have gone on a slide since late 1997 after enjoying good times in 1996 and early 1997.

Oil prices in 1997 kicked off at US\$25.60 a barrel and ended the year at US\$16.80.

On Monday, the open-market value of the reference basket of seven crude oils used by the Organisation of Petroleum Exporting Countries (Opec) to gauge world oil price levels averaged US\$10.69 a barrel.

"We will continue to monitor the situation," Hassan said, adding that the current flagging world oil prices have not reached a point which would force a review of Petronas PSC.

He pointed out that PSC contractors like Esso and Shell are also major users of crude oil and their downstream operation would benefit from low crude oil in the upstream operation.

Oil exploration activities in Malaysia, added Hassan, are not expected to be affected much by the low crude oil price because Malaysia is not considered a high cost area.

"The cost of drilling and other services has come down," he said.

He also said exploration is a long gestation business and on the average, it takes eight years to discover oil.

Hassan added that although Petronas PSC places tough conditions on the contractors, it continues to attract foreign oil companies as there is still money to be made.

"We have been proactive over the years and have introduced measures to encourage foreign investors to explore for oil," he said.

On the possibility of the ringgit being re-pegged, he said Petronas has a natural hedge because its revenue and borrowings are in US dollars.

"What is more of a concern to us is where the price level is heading,"

stressed Hassan. -- BERNAMA
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