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Tobex to develop oil and gas fields

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TOB Exploration Sdn Bhd (Tobex), a subsidiary of Tenggara Capital Bhd, has signed a joint operation basic agreement with a company registered in the British Virgin Islands to resume joint exploration and development of oil and gas fields in Indonesia with state-owned oil and gas company Pertamina.

The company is PT Wirabuana Pan Resources Karapan Ltd, while the oil and gas field is located in the Karapan Block, off Java Island.

The agreement was signed between Tobex chairman Datuk Kamal Salih and Wirabuana chairman Major General (Rtd) I Made Sadha in the presence of Prime Minister Datuk Seri Dr Mahathir Mohamad and Indonesian President Abdurrahman Wahid.

The ceremony took place in Merdeka Palace, Jakarta.

The Karapan Block, located 50km northeast of Surabaya, off Madura Island, covers an area of about 3,800 sq km.

The oil and gas field has in place an estimated reserve of 345 million barrels of crude oil and 3.5 trillion billion standard cubic feet (BSCF) of natural gas.

On the basis of a conservative 20 per cent recovery rate, the 72 million barrels of recoverable oil at today's average price would be worth about US\$2 billion (RM7.6 billion), while the three trillion BSCF of gas that can be recovered is worth about US\$3 trillion.

"The product sharing contract with Pertamina extends for 30 years on a 70:30 basis for gas in favour of the Indonesian state oil company.

"Many wells have already been drilled and are in production around the Karapan Block," Tenggara Capital said in a statement released in Kuala Lumpur.

A nearby gas field operated by PT Kodeco (which is responsible for installing pipelines for Pertamina) is in operation with a pipeline already linking it to the mainland.

The distance of the pipeline is 15km from the nearest well in the Karapan Block.

The cost of development of the oil and gas field over the next three years is estimated at US\$200 million.

"Tobex is expected to raise the funds from internal sources in the Tenggara Capital Group as well as from associated companies.

"A bond issue to cover any shortfall in the development budget, if necessary, will be considered accordingly later," Tenggara Capital said.

The company added that Tobex was also in advanced negotiations for another block in Sumatra under a Pertamina PSC arrangement with proven reserves of about five billion barrels of oil in place worth over US\$30 billion at the average current price, assuming 30 per cent recovery. This is to be developed over the same 30-year period.

In a separate development, Tenggara Capital also announced that its joint venture company, Tenggara International Petroleum Corporation Ltd (Tipco), had contracted sales involving six million tonnes (about 47 million barrels) of crude oil in its first month of operations.

At the current price, the deal is worth an average of US\$1.1 billion for delivery over the next 12 months. This is in addition to the US\$400 million of fuel oil it had sold to an Indonesian buyer recently for the same 12-month period.

Shares of Tenggara Capital closed yesterday at RM4.06, up 40 sen from

Wednesday with 6,914 lots transacted.  
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