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Petronas entry into Bahrain augurs well for its future

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BAHRAIN'S oil production is, by Gulf standards, minimal. It pumps around 40,000 barrels per day (bpd) from its own fields. For comparison, Malaysia pumps around 600,000 bpd from our own fields while Saudi Arabia, for instance, produces more than 10 million bpd.

Bahrain does, however, refine a large quantity of Saudi oil which arrives in the island state through an undersea pipeline. This is in addition to oil from other neighbouring countries. Because it has minimal oil reserves - about 600 million barrels - Bahrain has turned to petroleum processing and refining in a big way.

Therein lies the significance of Thursday's announcement by Petronas that the national oil company has signed two Exploration and Production Sharing Agreements with Bahrain's Ministry of Oil for two offshore blocks - Blocks IV and VI - in the south eastern part of the country.

Get into Bahrain and the next dig could well be in other oil-rich nations in the oil cradle of the earth. But that's another story.

Petronas is quite optimistic that it would be able to start drilling at the blocks by next Ramadan, and possibly start production by 2004.

Under the agreements signed on Thursday in Kuala Lumpur, Petronas Carigali Overseas Sdn Bhd, which is a wholly-owned subsidiary of Petronas, will hold a 100 per cent equity in each block. It will also operate the blocks. The company plans to commence exploration drilling in each block by next Ramadhan.

The signing of the agreements culminated with the award of the two blocks to Petronas by the Bahrain Government in September. The award was based on proposals submitted by Petronas in June following the call for tender by the Bahrain Government in March for three offshore blocks, namely Blocks IV, V and VI.

About 10 international oil companies, including Petronas, submitted their proposals for the blocks. So while Petronas got the two blocks, the remaining block was awarded to Texaco.

The Middle East oil scenario has long been dominated by the big players from the West - Exxon, Chevron, Texaco and the like.

In fact, when Bahrain became the first Gulf country to find oil in commercial quantities in 1932, it was the Americans who helped develop Bahrain's oil industry. Currently, many American banks and firms use Bahrain as a base for regional operations.

"They (the big players) have been dominating and dictating how the governments should run their oil business by virtue of being there from those early days," said an industry observer.

So pardon Petronas for feeling that it has pulled off quite a coup by securing those Bahrain contracts. It is the first Asian and the only national oil company to be awarded a 100 per cent equity to operate oil fields in the Gulf region.

Petronas, though small by industry standard, is no stranger to the international oil and gas scene. In the past 10 years, it has developed international businesses in both upstream and downstream sectors in more than 20 countries, including Iran and Sudan.

This caught Bahrain's attention. Plus it does not hurt to have the "Dr Mahathir connection."

In recent years, Prime Minister Datuk Seri Dr Mahathir Mohamad has gained recognition in the Arab world as a prominent Muslim leader.

Still, Petronas is understandably eager to prove it is up to the job and hopefully, success in Bahrain will pave the way for other contracts in the Gulf states.

Bahrain also has natural gas reserves of about 3.9 trillion cubic feet. The gas production is consumed locally and with rising energy demands, the country will become a gas importer very soon.

Apart from the natural resources, there is also the geographical attraction of this smallest Arab state.

Bahrain is centrally located among Persian Gulf countries. In the 1960s, due to its limited oil reserves, Bahrain began to diversify its industry from simple oil production into petroleum refining, petrochemicals, aluminium and downstream industries, manufacturing, ship repair, and services - industrial, financial and business.

Today, it has transformed itself into the international financial services capital of the Middle East and wants to be the next Singapore or Hong Kong.

As for Petronas, hopefully Bahrain will provide a pathway to other neighbouring oil destinations.

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