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Petronas, Gulf Resources in Indon gas supply pact

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MALAYSIA, which had its first supply of natural gas coming onstream from Indonesia's West Natuna last Thursday, will be receiving another supply from Sumatra.

Gulf Resources (Grissik) Ltd, a wholly-owned, indirect subsidiary of Conoco Inc, signed a memorandum of understanding (MOU) last Thursday for the supply of natural gas from Sumatra to Malaysia.

The parties to the MOU are Indonesian state oil company Pertamina and Malaysian national oil and gas company Petronas.

An official with Gulf Resources said the MOU outlines the basic terms of a sales agreement which is to be negotiated, including parties, term, first gas date and daily contract quantities.

According to the official, the value of the gas sales contemplated under the MOU will be dependent on the overall quantities and the pricing mechanism, neither of which is fully defined in the MOU.

The official said Petronas will be the buyer of the gas, adding that the estimated required capital investment in the Corridor Block Production-Sharing Contract (PSC) is about US\$150 million (US\$1= RM3.80).

"The signing of this MOU is a major step towards the finalisation of the agreements needed to consummate a gas sale from Sumatra to Malaysia," the official said.

According to the official, 73 per cent of the natural gas required by Petronas will be supplied from the Corridor Block PSC operated by Gulf Resources, and the remainder supplied from PSCs operated by other entities.

The official said the natural gas sales agreement is scheduled to be completed before the end of this year, with first gas deliveries targeted for April 2005.

"Gas deliveries are expected to plateau at 300 billion British Thermal Units per day," the official said.

Gulf Indonesia gas marketing and business development vice-president Andrew Hastings in a statement considered the signing of the MOU as a major step in the development of the Suban field, which will be the Corridor Block's primary supply sources for the agreement.

"The announcement follows the signing of the MOU to sell gas to Batam in April this year and we hope to conclude another major sale by year-end to the domestic market," Hastings said.

Gulf Resources holds a 54 per cent working interest in the Corridor Block PSC and is contract operator for Pertamina. Other partners are Talisman (Corridor) Ltd (36 per cent) and Pertamina (10 per cent).

Conoco is a major integrated energy company active in more than 40 countries.

Indonesia made the first delivery of natural gas from West Natuna in Bali on Thursday, witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad and Indonesian President Megawati Soekarno.

Under the agreement signed in March last year between Pertamina and Petronas, the Indonesian company and its production-sharing contractor, Conoco Indonesia Inc Ltd, will deliver natural gas to Malaysia from the West Natuna area in the South China sea for a period of 20 years.

The link between West Natuna to Malaysia's pipeline represents the latest component of the growing inter-connection of cross-border gas infrastructure in Asean and charts another step towards the realisation of

the Trans Asean Gas Pipeline network, which was mooted at the Asean Informal Meeting held in Kuala Lumpur in 1995.