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Budget fuels interest in oil, gas counters

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OIL and gas stocks were all fired up on the Kuala Lumpur Stock Exchange yesterday after Budget 2004 disclosed that Malaysia needs another consortium to undertake oil exploration, production and refining.

Leading the pack was petroleum and gas drilling fluids producer Scomi Group Bhd which also emerged the day's top gainer. The counter jumped 95 sen or 15.57 per cent to RM7.05 with 4.77 million shares traded.

Listed in May this year, the second boarder had earlier touched an all-time high of RM7.40 after opening at RM6.20.

Drilling fluids made by Scomi's subsidiary Kota Minerals & Chemicals Sdn

Bhd (KMC) are used for oil and gas drilling activities.

KMC also produces industrial chemicals, which are mainly supplied to the

downstream oil and gas industry, such as refineries, gas and petrochemical

plants and other general industries. Its customers include Petronas Carigali, ExxonMobil Exploration and Production Malaysia Inc and Sarawak Shell Bhd/Sabah Shell Petroleum Co Ltd.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in tabling Budget 2004 last Friday, said the Government can allow another consortium to undertake

the development of marginal oil and gas fields so as to gain the confidence of other countries.

Crest Petroleum Bhd, one of Malaysia's largest local oil and gas well drilling, and marine construction contractors, was the second highest gainer yesterday. It rose 45 sen or 5.39 per cent to RM8.80 with 646,200 shares traded.

Oil, gas and petrochemical engineering services firm Petra Perdana Bhd,

rose 35 sen to RM7.35 with 479,800 shares, while active Sumatec Resources

Bhd, a reverse takeover firm of Malaysian General Investment Corp Bhd, was

13 sen, or 6.02 per cent, higher at RM2.29 on 10.83 million shares.

Tenggara Oil Bhd, which recently repositioned itself in the oil and gas

sector, was up 7 sen to RM1.27 with 2.78 million shares traded while the company's warrants rose 4 sen to 44.5 sen on 5.73 million units traded.

SAAG Consolidated Bhd, which is licensed by Petroliam Nasional Bhd (Petronas) to supply and service equipment and machinery used in Malaysia's oil and gas industry, was 15 sen higher at RM3.04 with 75,300 shares traded.

Oilcorp Bhd, which is poised to be a fully integrated onshore and offshore oil and gas company, was up 10 sen to RM2.09 with 4.08 million shares traded. The company recently took over Abrar Corp Bhd's listing status.

Analysts attributed the spiralling prices of the oil and gas-related

stocks to speculative interest fuelled by Budget 2004.

However, they cautioned that the momentum might be shortlived given that

some of the counters have rallied to dizzying heights of late.

"Stocks like Scomi, Crest and Petra Perdana are now in the overbought position, hence one wonders if their share prices are sustainable in the middle to long term.

"No doubt some of these companies may be potential candidates to land some lucrative contracts ... but at the moment, everything is still vague given the lack of details," said an analyst with a local stockbroking house.

Another analyst expressed belief that the supporting service providers who are able to meet stringent criteria can expect to be roped in as members of the soon-to-be-formed consortium.

"There is a gold mine in store for those with a sound technical and engineering knowledge. Similarly, those on the supply side can also derive some advantage if their products are being sought after.

"But for now, it is a matter of wait and see," he added.