

Petronas, Shell sign US\$12bil oil development deal
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Malaysian state energy firm Petronas said today it has signed an agreement with Anglo-Dutch oil giant Shell to spend US\$12 billion to jointly develop oil fields off Sarawak and Sabah.

The two companies agreed yesterday to two 30-year production-sharing contracts for projects using enhanced oil recovery (EOR) technology, Petronas said in a statement.

“On a combined basis, these EOR development opportunities could be the biggest in the world in an offshore environment,” the statement said.

Under the agreement, Petronas and Shell will further develop nine oil fields in the Baram Delta off Sarawak state and four more fields in the North Sabah area off Sabah state.

The projects aim to arrest the decline in Malaysia’s oil production and extend the fields’ life beyond 2040, the statement said.

They are also expected to lead to an increase in the average recovery factor - the proportion of the oil that can be extracted - from the fields to about 50 percent from 36 percent, it said.

If successful, the projects could see an additional production of up to 100,000 barrels of oil per day with the recovery of an expected 765 million barrels of oil reserves.

“The improvement in the recovery efficiency of the oil fields is expected to positively impact Malaysia’s oil reserves and will benefit the country as a whole,” the statement said.

Petronas said in August that its net profit for the first quarter surged nearly 50 percent on higher oil prices. But Malaysia’s only Fortune 500 company warned the weak global economy could hit full-year profits.

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