

## Petronas to use mobile unit expertise closer to home

MALAYSIAN operator Petronas' renewed mandate of staying close to home will benefit from some of the activities that it has undertaken farther afield, particularly in the Caspian Sea where it is developed an expertise in mobile production units (MOPUs), writes Barry Parker in New York.

These small production units reduce lead times for moving from development to production of hydrocarbons.

Petronas' efforts in the Caspian Sea and relationship with the government in Turkmenistan have met with successes. Its MOPU *Saparmyrat Turkmenbashi*, in conjunction with floating storage and offloading *Oguzhan*, which stores oil, have been in successful operation at the Caspian, since late 2005.

In mid July Petronas began processing Caspian gas at a new \$5.2bn gas plant in Kiyarly, Turkmenistan, for export to European markets.

The expertise in MOPUs could be transferable to smaller fields in Malaysia and "early production" efforts, such as the newly awarded third phase at the Sepat field.

The Dutch marketing company Origin



The Petronas MOPU *Saparmyrat Turkmenbashi*: the company's expertise in MOPUs could be transferable to smaller fields in Malaysia.

SBM

Business Engineering, in a report to clients, said: "Converted older jack-ups have been used to provide fast track and cost effective mobile production units."

Its consultants claim the main economic advantage of mobile units "is created through [the] possibilities for fast track development, financial and operational leasing and the fact that [they] can be installed without a requirement for expensive installation equipment".

At the mid July ceremony inaugurating the new gas terminal in Kiyarly, Turkmenistan, Petronas's history in the region, including extended well testing, was recounted by political dignitaries.

One impressive statistic is the quick timing for beginning production at the existing Diyarbekir field, offshore Turkmenistan, in 2005, using the MOPU and FSO, pegged at 17 months from inception, according to Malaysia's Prime Minister, in his remarks at the launch.

Petronas is also known for its activities in West Africa. It is the operator of the Chinguetti field, off Mauritania, producing into the turret-fitted FPSO *Berge Helene*, a tanker conversion with a capacity of 2m barrels on charter through 2013, with options for an additional eight years.

Early this year, a Petronas operated well in partnership with Tullow and Roc Oil, using the semi-submersible Maersk Deliverer came up empty, drilling at Mauritania's Gharabi field, in about 5,000 ft of water. The rig has since moved on to Liberian waters where it's drilling for African Oil at \$430,000 per day. ■

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# Bumi Armada's \$890m fundraising shows strength of offshore sectors

## Vessel operator's appeal to investors stems from having an important role in a favoured region



Barry Parker — New York

OFFSHORE vessel operator Bumi Armada's late-July \$890m initial public offering is the latest evidence of the strength in the drilling and offshore service sectors.

The deal, heavily oversubscribed, puts 30% of the contractor into the hands of outside investors, mainly from the ranks of "cornerstone" investors from the insurance and pension fund management sectors.

Lists of the world's wealthy put Bumi Armada founder Ananda Krishnan second in Southeast Asia, behind Robert Kuok, known for the shipping company PCL and sister companies in the offshore services sector including POSH-Semco.

The appeal of Bumi Armada comes from its important role in a region that is sought after by international investors.

A tailwind comes from announcements that Petronas, Malaysia's state-owned oil company, will be budgeting RM300bn (\$100bn) for capital expenditures over the next five years, going towards replacing and repairing oil production infrastructure in Malaysia and engaging in advanced oil recovery.

As Malaysia develops its capital market, it has also announced that it will offer tax breaks for investment in secondary oil fields under its Economic Transformation Plan.

For Petronas, the move marks a shift back home after a campaign of international exploration.

An example of Bumi Armada's good access to local projects, benefiting from the new Petronas incentives, is its floating storage and offloading vessel *FSO Sepat*, a tanker conversion in the final stages of its re-emergence from the Keppel yard to head for the Sepat field, offshore eastern Malaysia in the Malay Basin.

At the naming ceremony late last month, remarks by a top company

executive specifically tied the firm's rejuvenated offshore services division to the recently passed governmental measures.

Bumi Armada chief executive Hassan Basma explained that the FSO is part of a contract with Petronas Carigali, "marking our venture into the oilfield services segment that focuses on maximising extraction of hydrocarbons in marginal fields".

The FSO *Sepat*, a \$280m conversion from the tanker *Amore* with a 500,000 barrel storage capacity, will be Keppel's second delivery to Bumi Armada this year, following the previous delivery of an FPSO costing roughly \$350m. First oil should come later in the year.

At the nearby Cendor field, Petronas has engaged Petrofac, which is UK listed but has a lengthy track record in Malaysia, for engineering, procurement and construction.

Petrofac will work in a third, "marginal" phase, thought to be difficult to exploit because of complex geology, for early production at Cendor, where it has worked on early development phases.

A floating mobile production unit will be purchased, according to Petrofac, likely similar to the Cendor Mobil Producer, which has been deployed since 2006 at an earlier phase of development.

A groundbreaking "Risk Sharing Contract", with a nine-year term, was awarded by Petronas earlier this year to a consortium led by Petrofac, with minority participation by Suparacrest and Kencana Petroleum, both listed in Kuala Lumpur.

Under such contracts, development and production risks are shared between Petronas and its contractors. Production of gas from the Berantai field (the subject of the contract) offshore Terengganu, also in the Malay Basin, could begin later this year.

An existing FPSO, *East Fortune*, the subject of deal gone bad in Nigeria under its previous ownership and now being purpose-modified at Keppel in Singapore by Petrofac, will be used for gas recovery.

In addition to funding capex on projects at hand, proceeds from the Bumi Armada IPO will also be used to fill its war chest, to be used for potential acquisitions.

The Malaysian business press was reporting that Mr Basma, in his remarks at the launching ceremony, spoke about the increasing complexity and expense of offshore projects, with a suggestion that smaller players "who sustained injuries" will likely be consolidated into the larger outfits.

The Bumi Armada situation is indicative of a broader trend, in Asia and beyond, in which service providers seek to move higher up in the value chain.

Following its Steel on Water

rejuvenation programme, which cost approximately \$350m, the operator's fleet includes 20 high-specification dynamically positioned offshore support vessels, of 8,000 bhp or more, in a fleet of 43 vessels overall — mostly working in Southeast Asia.

Still, Mr Basma's remarks offered hints that the cost of future FPSO conversions could catapult into the \$750m-\$800m cost range.

The bottom line, quoting from the Bumi Armada prospectus, is that: "As the developing nations in Africa, Asia and Latin America continue to grow, and as NOCs [national oil companies] and independents with limited or no prior experience in the deployment of FPSOs... continue to emerge as significant players... we believe that there are distinct advantages for companies such as ourselves." ■

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## Vietnamese waters a magnet for foreign operators

BUMI Armada took delivery of floating production storage and offshore vessel *Armada TGT* earlier in 2011 from Keppel's Singapore yard, writes Barry Parker in New York.

The FPSO is set for deployment in Vietnam waters, which are increasingly becoming a magnet for foreign oil production, some of which is attracting local funding from Vietnamese banks.

Positioned in the Te Giac Trang field, in the Cuu Long Basin of the South China Sea, it will work for the Hoang Long consortium, whose partners include PetroVietnam, Thailand's PTTEP, and UK-listed SOCO.

The FPSO, on a seven-year time charter with further renewal options, will be operated by VietSovPetro, which is responsible for most of Vietnam's oil production. The 55,000 barrel per day unit, also a conversion, has a 620,000 barrel storage capacity.

Bumi Armada executive director and chief executive Hassan Basma said at the unit's launch that its design overcomes a number of technological and weather-related challenges; the crude to be processed by the FPSO has a high wax content, and the shallow waters off southern Vietnam are prone to cyclones and tsunamis.

As offshore activity grows in Vietnam,

a joint venture led by the Singapore-based and Oslo-listed EOC, described as the production and construction division of Ezra Holdings, the Singapore-listed offshore service provider, will be putting its FPSO *Lewek Emas* to work.

An existing FPSO owned by EOC, *Lewek Arunothai*, a conversion from a Knutsen tanker, is working gas and condensate deposits for PTTEP in the Arthit Field offshore Thailand.

Ezra Holdings maintains a 46% ownership stake in EOC, whose other holders are mainly financial investors, with a few strategic shareholders, including companies in the Fred. Olsen group, sprinkled in.

The soon-to-be-deployed *Lewek Emas*, a suezmax conversion completed at Keppel's Singapore shipyard, will be going to work for a Vietnamese division of the London-listed exploration and production independent, Premier Oil, and its partners in the field.

Fitted with a disconnectable turret system, it will be employed under a six-year charter, possibly followed by six optional one-year renewals, in the Chim Sao field, with a rating of 50,000 barrels per day production (and 680,000 barrels of storage). The owning consortium also includes an arm of Keppel Corporation, KSI Production, and a local partner

### OFFSHORE BASINS IN SOUTHEAST ASIA



PetroVietnam Transportation. First oil is expected later this month.

With local involvement comes the ability to tap new sources of finance at a time that debt markets have had little appetite for new projects. Two syndicators, Vietin Bank, and PetroVietnam Finance Corporation, have put together a \$227m loan package for *Lewek Emas* repayable over seven years.

Indicative of the bigger trend where a new roster of Asian financiers are reaching out into the traditional territory of established lenders, this was the first foreign project gaining Vietnamese funding, according to the energy lending specialist PVFC, which counts the investment behemoth Morgan Stanley as a 10% shareholder. ■

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**\$280m**

FSO *Sepat* conversion cost