

## Sekayu CBM spud makes history for Medco Energi

DOMESTIC private oil company Medco Energi has spudded a coalbed methane exploration well on its Sekayu production sharing contract in the South Sumatra basin, hailed as the first "official" CBM well in Indonesia, writes *Amanda Battersby*.

Vertical well CBM-SE-02, which has a planned total depth of 2000 feet, is intended to evaluate the gas potential and reservoir properties of the Muara Enim formation, including the upper Palembang and lower Pangadang

coal seams. Extensive drilling in the area covered by the Sekayu PSC showed that these coal seams are well developed with abundant shallow coal reserves.

Canada-based CBM Asia Development last month signed a binding letter of intent with Batavia Energy to acquire a 24% stake in the Sekayu PSC.

CBM Asia has paid Batavia's pro rata share of the CBM-SE-02 well and committed to invest at least \$6.5 million on the block over the next two years. The loca-

tion and formation depth prognosis for the exploration well was based on a 2007 joint study of the block by Medco, the Indonesian government's oil and gas research and development centre — Lemigas — and the University Institute of Technology, Bandung.

Information also came from the operator's existing oil well Jata 1, which penetrated the three main coal seams in the Muara Enim formation.

Since May 2008, Jakarta has awarded 15 CBM PSCs that will

lead to investments of about \$96 million over the next three years.

Players such as Medco, Arrow Energy and Indonesia's state-owned oil and gas company are trying to quickly prove up CBM reserves in the South Sumatra basin, with plans for commercial production as early as 2011.

It is the largest CBM basin in the republic and has estimated in-place resources of about 183 trillion cubic feet of gas, while Indonesia's CBM potential has been put at 453 Tcf.

## Te Giac Trang gets approval

THE Vietnamese government has approved the Hoang Long Joint Operating Company's development plan for its Te Giac Trang (White Rhinoceros) field off Vietnam, writes *Amanda Battersby*.

The Ministry of Industry and Trade has given the green light to the project in Block 16-1, which will be exploited through a floating production, storage and offloading vessel.

Upstream earlier reported that Malaysian contractor Bumi Armada is tipped as frontrunner to land the leased FPSO job from rivals Prosafe Production and BW Offshore of Norway, Singapore's Swire Production and Monaco-based SBM. (Upstream 11 September).

The production capacity of the FPSO is understood to be an initial 40,000 barrels of oil per day and 20 million cubic feet per day of gas, and the vessel will have oil storage of a maximum 1 million barrels. The topsides will require space for expansion as the operating company brings on additional production.

A contract for the FPSO vessel is currently being finalised, according to partner Soco International. Tenders for a number of long lead items are already under evaluation.

## Kitimat LNG China talk

CHINA Energy Petrochemical International Corporation (CEPIC) has held talks with Canada's Kitimat LNG about a 20-year liquefied natural gas import deal, according to a CEPIC official.

Although Kitimat denied Chinese press reports of an LNG agreement having been reached, the Canadian player declined to comment further and would not say if any talks had been held.

However, the CEPIC official said talks could lead to a deal in the near future. "We are targeting 3 million tonnes per year for 20 years," he said.

He added that if a deal were done then supplies would be shipped to PetroChina's planned import terminal in Rudong county for power generation in Jiangsu province.

## Triton ROV deal

ABERDEEN-based Triton has won a \$23 million contract to build five new remote operated vehicles for Singaporean offshore contractor Ezra.

The five ROVs, to be delivered by the second quarter of 2010, will be deployed alongside three new subsea capable vessels. This will increase both the capability and capacity of Ezra's deepwater subsea services division.

Triton will provide Ezra with vessel interface engineering and installation services from its support base in Singapore from September until the ROVs' delivery.

# ExxonMobil faces Cepu field threat

## Lawmakers say US supermajor should raise its output at block

AMANDA BATTERSBY  
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INDONESIAN lawmakers have called for state oil and gas company Pertamina to take over operatorship of the Cepu block in Java from joint operator ExxonMobil, claiming the US giant is to blame for lower-than-promised production and escalating costs.

Pertamina has notified upstream regulator BPMigas to review Cepu's joint operating agreement with ExxonMobil in light of the project's lacklustre performance to date.

BPMigas chairman Raden Priyono said that the body might even impose sanctions on the US partner if it failed to meet its production target by March 2010.

Last December, ExxonMobil, Pertamina and their minority partners brought on stream the Banyu Urip oilfield on Cepu at an initial 800 barrels per day, much lower than the touted phase one output of 20,000 bpd.

Production was then suspended in March, reportedly due to pipeline problems, before being restarted just several weeks ago.

The field on the block that straddles East and Central Java provinces was producing at 1500 bpd in early September and is targeted to be increased to 15,000 bpd by the end of the month.

Meanwhile, East Java Governor Soekarwo has expressed disappointment over the "low production" of at Cepu, claiming the province has yet to enjoy any profits from its participating interest.

"We urge Cepu drilling operator ExxonMobil to maximise oil production to meet the production target," said Soekarwo.

Full-scale production from Banyu Urip is aimed at about 165,000 bpd but the scheduled 2011 timeframe could be derailed until possibly 2013, according to Soekarwo.

"We therefore demand a review



Sanctions: BPMigas chairman Raden Priyono

Photo: BLOOMBERG

of ExxonMobil as the project operator," he said.

However, ExxonMobil Indonesia spokesman Maman Budiman, however, stressed that the project schedule was on track.

"Everything is in accordance with our target, including reaching peak production target of

165,000 bpd," he said. The project's cost has reportedly escalated to more than \$5 billion from \$2.3 billion for the full-field development, with the lion's share of the hike due to the doubling of the drilling budget to \$540 million and the field's facilities from \$838 billion to more than \$2 billion,

reported Indonesian daily Tempo.

The US supermajor and Pertamina each have a 45% stake in Cepu, with the remaining 10% divided among regency administrations in Bojonegoro and Blora and the provincial administrations of Central and East Java.