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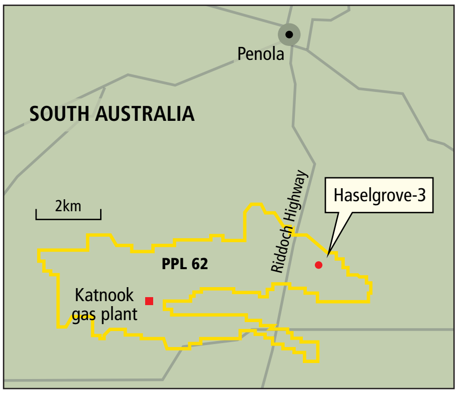
ASIA OIL AND GAS NEWSLETTER

BREAKING NEWS AND ANALYSIS FROM ACROSS ASIA

Otway Basin gas discovery

Beach Energy has made a gas field discovery with the **Haselgrove-3 ST1** well in the onshore Otway Basin, South Australia.



"Flow test results from the primary target Sawpit Sandstone indicate a high deliverability reservoir and provide encouragement to move towards commercialisation of a large gas resource. Beach plans to undertake immediate follow-up testing to confirm well deliverability and assess connected volumes and gas composition," Beach said.

Haselgrove-3 ST1 is located in **PPL 62** (Beach 100%), around 8km south of Penola. Haselgrove-3 ST1 was drilled as a deviated well to a total measured depth of 4,331m (14,210ft) and targeted the Sawpit Sandstone and shallower Pretty Hill Sandstone. The well intersected an estimated gross gas column of 104m (341ft) Total Vertical Thickness (TVT) in the Sawpit Sandstone, with estimated net pay of 25.6m (84ft) TVT.

An estimated gross gas column of 11.6m (38ft) TVT was also intersected in the shallower Pretty Hill Sandstone, with estimated net pay of 8.5m (28ft) TVT.

Initial testing of the Sawpit Sandstone was undertaken to enable preliminary assessment of well deliverability and gas composition.

Early indications suggest the Sawpit Sandstone could flow at rates greater than 82.02 Mcm/d (25 MMcf/d). Preliminary gas sample analysis indicates low inert content, which should minimise gas processing requirements, Beach said.

"The well is currently shut-in with preparations underway for commencement of an Initial Production Test (IPT) in late January 2018. The IPT will confirm well deliverability and gas composition, and will assist field development planning. Results will be integrated with other subsurface data to enable estimation of the size of the gas resource," Beach added.

Beach's CEO, Matt Kay, said: "We are very encouraged by these results, and to witness in the early stage of testing such strong well deliverability from an onshore gas field is particularly pleasing."

Bass plans Indonesia wells

Bass Oil is planning two development wells on in Indonesian oil production assets later this year.

During December Bass reported total field production of 17,078 bbl of oil (100% joint venture share) or 9,393 bbl (net to Bass) representing a 2.2% uplift on the previous month's output, the operator said.

"The multi-disciplinary field development study being performed by UNPAD is progressing as planned with the reservoir simulation phase now fully underway. Work completed to date strongly supports the company's view on the asset's significant development and appraisal potential, which will result in a material uplift in future production," Bass said.

"The reservoir modelling and production forecasts are expected to be completed January 2018. The results of the modelling work are to be presented to the regulators Pertamina and SKK Migas for approval in February.

"Bass has commenced planning for a two well drilling programme, consisting of the **Bunian-5** and **Tangai-5** development wells. Drilling is anticipated to commence early in the third quarter of this calendar year."

Concurrent planning work for the upgrade of the **Bunian** and **Tangai** production facilities is also underway. A facility upgrade is required to process the additional oil and fluid production rates anticipated following the completion of the drilling phase of the work programme.

"Bass continues to evaluate a number of acquisition targets, as the company looks to add additional prospective oil properties to its portfolio during 2018," Bass noted.

INSIDE THIS WEEK

PIPELINES

Asia leads pipelines sector

Global planned trunk/transmission oil and gas pipelines between 2018 and 2022 is dominated by Asian pipelines, according to analysts GlobalData.

The report shows that the Xinjiang–Guangdong-Zhejiang SNG gas pipeline in China is the longest planned pipeline globally with a length of 8,972km. The onshore pipeline is expected to start operations in 2022. China Petrochemical Corp has 100% stake in the pipeline, while China Petroleum & Chemical Corporation is the operator. The pipeline has a total capital expenditure (capex) of US $30.1 Bn.

The second longest planned pipeline, Power of Siberia (China Section), is also in China with a length of 3,968km. This onshore pipeline is expected to start operations in 2019. China National Petroleum Corporation has 100% stake and is the operator. The pipeline has a total capex of $5.2 Bn.

The Power of Siberia (Russia Section-I) gas pipeline in Russia is the third longest pipeline for the period of 2018 to 2022 with a length of 3,200km. The onshore pipeline is expected to start operations in 2019. Gazprom has 100% stake and is the operator. The pipeline has a total capex spending of $20.1 Bn.

The fourth longest planned pipeline is Jagdishpur-Haldia gas pipeline in India with a length of 2,655km. The onshore pipeline is expected to start operations in 2019. GAIL has 100% stake and is the operator. The pipeline has total capex of $1.9 Bn.

The Surat-Paradip gas pipeline, also in India, is the fifth longest planned pipeline globally with a length of 1,990km. The onshore pipeline is expected to start operations in 2020. GAIL has a 100% stake and is also the operator. The pipeline has total capex spending of $1.5 Bn.

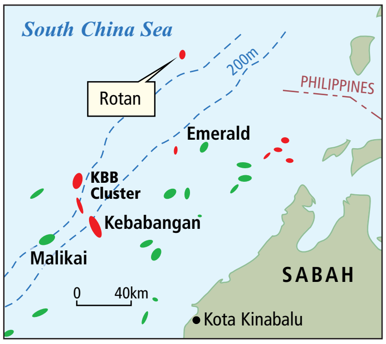
FLNG

Malaysia e-houses lift record

The world's tallest, single lift prefabricated electrical structures (or e-houses) for offshore use are being installed on a Floating LNG (FLNG) unit which will operate offshore Malaysia.

The installation for Malaysia's state-owned Petronas is also the world's first commercial FLNG facility featuring ABB e-houses, which are used to manage the electrical requirements.

This is Petronas' second FLNG (*PFLNG 2*) facility and will be moored over the deepwater **Rotan** gas field.



"In addition to its impressive size, the project was completed with a record of two million man-hours with zero lost time injury. A priority for safety has also been embedded into the future operations of the facility by incorporating the latest technologies adapted to corrosive offshore environments," said ABB.

"The fully engineered electrical system contained within the e-house will include transformers, switchboards, motor-control centres and ABB's Process Power Manager that ensures reliable and stable electricity supply to the FLNG facility."

The two e-houses are currently en-route to Samsung Heavy Industries' yard in Geoje, Korea, for installation on the vessel.

"ABB's long history of pioneering new technologies and expertise in the automation field is a perfect match for the FLNG market," said Per Erik Holsten, ABB's managing director for Oil, Gas and Chemicals. "From concept to realisation, our engineered solution is one of the optimised factors that allow oil and gas companies to exploit fields that are traditionally deemed as uneconomical. The *PFLNG 2* project is also a testimonial of our commitment to stakeholders on safety, quality and customer satisfaction, irrespective of the magnitude of the project."

The *PFLNG 2* will enable the liquefaction, production and offloading of natural gas in the Rotan field, and produce 1.5m tonnes of LNG each year. The non-propelled vessel will be moored using an external turret.

TECHNOLOGY

ExxonMobil-MagnaBond pact

ExxonMobil Upstream Research Company has signed a three-year joint development agreement with MagnaBond to develop "new technologies that could enhance cost-effective evaluation of well cementing, casing and tubing."

The agreement was facilitated by the Industry Technology Facilitator as part of its initiative to address challenges associated with well decommissioning activities such as plugging and abandonment.

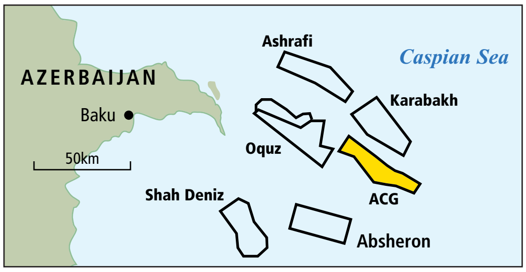
"The new collaboration combines ExxonMobil's expertise in developing a wide range of inspection technologies and tools with MagnaBond's strengths in technology transfer and supply chain design from other industries," said ExxonMobil.

"Current evaluation technology cannot adequately characterise cement quality through multiple strings of casing. A well's production tubing must be pulled in order to inspect the cement, resulting in additional time and expense for decommissioning activities. ExxonMobil and MagnaBond will work toward developing technology that allows for through-tubing cement evaluation prior to the arrival of a costly rig or workover unit."

"Developing a technology that enables us to see the quality of well casing and cement with a single tool is a major step in determining overall well integrity and could result in significant cost savings," said Jayme Meier, vice president of engineering for ExxonMobil Upstream Research. "Our agreement with MagnaBond will bring together our respective strengths to jointly develop this technology."

KBR lands Azeri FEEDs

KBR reports that its joint venture with SOCAR has been awarded two separate Front-End Engineering Design (FEED) contracts for a new production, drilling and quarters platform – called the **Azeri Central East** platform – on the **Azeri-Chirag-Gunashli** (ACG) field in the Azerbaijan sector of the Caspian Sea.



The contracts cover the provision of FEED services for the new platform, along with associated brownfield tie-ins to other existing platforms in the ACG field, and a separate contract for the subsea services FEED, KBR said.

"Following previous awards to other regional and international clients, these contracts mark the fourth and fifth awards to the joint venture, SOCAR-KBR Limited Liability Company, since its inception in mid-2015," KBR added.

Jay Ibrahim, president of EMEA at KBR, said: "These projects will be led by the Caspian engineering team in London with maximum local execution support from the Baku office where local engineers are delivering various projects under the SOCAR-KBR umbrella. We are proud that currently more than 75% of our Baku based SOCAR-KBR team are Azerbaijani engineers."

The value of the contract, which remains confidential, was booked into the backlog of unfilled orders for KBR's Engineering & Construction business segment in the fourth quarter of 2017.

SEISMIC

Polarcus lands Asia work

Polarcus has received a Letter of Award from "an undisclosed customer" for a 4D marine seismic acquisition project in the Asia Pacific region.

Polarcus said that the project was due to start in Q1 2018 and would last for approximately one month. The company added that, following this award, the Polarcus active fleet was 100% booked in Q1 2018.

Financial details of the deal and the name of the vessel to be used for the project have not been revealed.

Earlier this month, Polarcus received a Letter of Award for the acquisition of a 3D marine seismic project in South America. That project was scheduled to start in Q1 2018 and last for two months.

The last time the company was awarded a contract in the Asia Pacific region was in late September 2017. Polarcus received a Letter of Award for a broadband 3D marine seismic project, which was due to start in Q4 2017.

Magseis wins Asia deal

Norway's Magseis has been handed a contract for the lease of its proprietary MASS nodes for a project in South East Asia.

Magseis said that it would mobilise a light handling system and field technicians for the project. Work on the contract will start during Q1 2018.

Per-Christian Grytnes, CEO of Magseis, said: "We are delighted with entering into our first lease agreement. It is a major first step in adding further flexibility to our business model. The MASS node is highly competitive, and we are further broadening deployment capabilities to enable more projects with low opex and attractive economics."

MASS consists of ultra-compact 4C sensor capsules, fully automated handling systems and data download.

Magseis' sensor weighs just over 8 kilograms and has a recording time of 65 days and, with its latest edition, the MASS III node, has a recording time of up 150 days.

Shearwater bags Myanmar shoot

Shearwater GeoServices has been awarded a 10,000sq km marine seismic acquisition contract by France's Total and Italy's Eni for their 2018 exploration campaign 300km offshore Myanmar.

Shearwater will use the *Polar Empress* vessel for the survey, which is expected to take around six months and will start this month.

Total operates Block **YWB** and Eni operates **Block MD-04** off the coast of Myanmar.

The *Polar Empress* vessel was built in 2015 and has a capacity of up to 22 streamers.

"This contract is the second significant recent award to Shearwater, following the November award by a National Oil Company for a five to six months contract for which it started mobilising the vessels *Polar Duchess* and *Polar Marquis* in December," Shearwater said

"The seismic market remains challenging, but on the back of a solid operational performance in 2017 in combination with recently awarded contracts, Shearwater is well positioned through the winter season and for 2018 as a whole," said Irene Waage Basili, Shearwater's CEO.

News in Brief

JDC rig starts Malaysia work

Japan's JDC reports that two of its drilling rigs have recently started operations – one for a customer in the Middle East and the other for an operator in Malaysia.

JDC said it started drilling operations offshore Malaysia using the *Hakuryu 5* semi-submersible rig under a contract for MDC Oil & Gas and Petronnic on 27 December 2017. The rig is located offshore Sabah, East Malaysia.

Prior to the deal with MDC, JDC's *Hakuryu-5* was hired by Gazpromneft Sakhalin to drill the first exploration and appraisal well on the Ayashsky Block in the Sea of Okhotsk. The drilling campaign started in June 2017.

• The driller reported earlier this month that the *Sagadril 1* rig started work with an unnamed customer in the Middle East.

News in Brief

Sapura mulls listing of E&P unit

Sapura Energy has hired advisors to evaluate and advise on the potential listing of the company's Exploration and Production (E&P) business.

Sapura said it would make the necessary announcement in compliance with Bursa Malaysia Securities Main Market listing requirements should there be any material development on this matter.

The E&P segment has participating stakes in nine Production Sharing Contracts (PSCs), as well as operatorship in six PSCs.

In Sapura's Q3 financial report for the period ended 31 October 2017, E&P was the only profitable segment in the group.

Calendar 2018

FEBRUARY

27-2 March
13th LNG Supplies for Asian Markets 2018 (LNGA 2018)
Singapore
www.lng-conference.com

MARCH

14-16
Asia Pacific Maritime (APM)
Singapore
Email: apm@reedexpo.com.sg
Tel: +65 6780 4586
www.apmaritime.com

20-22
StocExpo 2018
Rotterdam, The Netherlands
Contact: info@stocexpo.com
www.stocexpo.com

APRIL

18 StocExpo Middle East Africa
Dubai, UAE
Contact: info@stocexpo.com
www.stocexpo.com

JUNE

25-29
27th World Gas Conference (WGC 2018)
Washington DC, USA
Contact: info@wgc2018.com
Tel: +44 20 7978 0019
https://wgc2018.com

SEPTEMBER

26-27 Tank Storage Asia 2018
Singapore
Contact: info@stocexpo.com
www.stocexpo.com

DECEMBER

5-6 Tank Storage Germany 2018
Hamburg, Germany
Contact: info@stocexpo.com
www.stocexpo.com

Quadrant buoyed by Swell-1

Positive results from Woodside's **Swell-1** well offshore Australia have also been encouraging for Quadrant Energy's nearby **Belgravia** prospect.

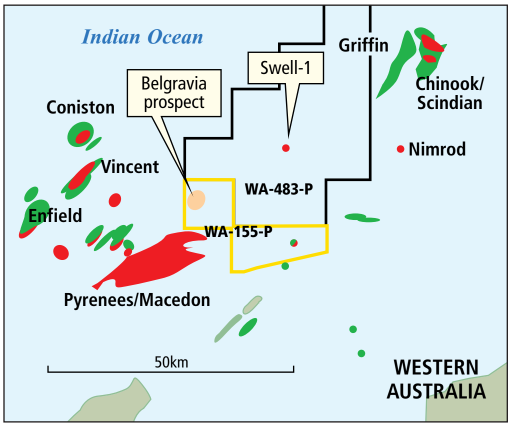
The Belgravia prospect is located in **WA-155-P(1)**, which is adjacent to the block holding Woodside's Swell-1 exploration well. Belgravia is operated by Quadrant with a 71.5% stake, while Carnarvon Petroleum holds the remaining 28.5%.

The Belgravia structure has a 45sq km closure in water depths of less than 180m (591ft). It lies around 20km southwest of and updip of the **Swell** Triassic prospect.

The Swell prospect is located in **WA-483-P** (operator Woodside 60% and Kufpec 40%). The Swell-1 well targeted an undrilled Triassic fault block some 20km west of the **Nimrod** Upper Triassic gas discovery.

Prior to the Swell-1 well being spudded, Carnarvon said that success of this well would greatly de-risk the Belgravia prospect and attract interest in the Upper Triassic play system in this region of the Northern Carnarvon Basin.

Carnarvon said the Swell-1 results are "encouraging in that it has confirmed the presence of a working petroleum system and contained a large gas column that was on the high side of Carnarvon geologist's pre-drill expectations."



Kiwi Pukatea-1 work begins

TAG Oil and Melbana Energy have started activity on the **Pukatea-1** exploration well in New Zealand.

The *Nova-1* drill rig is expected to be mobilised to the drilling pad by mid-January, with drilling expected to start on or around 25 January 2018 from the existing production pad.

The **Puka** permit (**PEP 51135**, operator TAG 70%, Melbana 30%) covers an area of around 85sq km and is located "close to existing infrastructure and several low-cost alternative development paths."

The primary objective of the Pukatea-1 well will be the deep Tikorangi Limestone formation, which will be drilled to a total depth of around 3,170m (10,401ft). The Pukatea-1 well is adjacent to the **Waihapa** oil field that has produced more than 23m bbl from the Tikorangi Limestone and where individual wells produced up to around 5,000 b/d.

In addition to the high impact Tikorangi Limestone exploration opportunity, TAG has identified a secondary objective to intersect in the shallower Mt. Messenger formation while drilling on the way to the deeper target. This has resulted in some technical adjustments to the drilling plan, which include adding an additional wireline logging run for data gathering and an additional casing string to isolate the Mt. Messenger formation.

The updated design for the wellbore path is expected to intersect the Mt. Messenger sands approximately 150m east of the **Puka-2** wellbore (currently shut-in and awaiting a workover). The Puka-2 well tested 719 b/d of oil over a 12-hour period in April 2013.

CNPC eyes Myanmar gas

A unit of state-owned China National Petroleum Corp (CNPC) is exploring for new natural gas sources in Myanmar, as the company looks to supply a pipeline between the two countries, according to reports.

CNPC Southeast Asia Pipeline Co is looking for additional gas to supply the pipeline, which runs from Daewoo International's blocks offshore Myanmar, said Chen Xiangqiu, vice president of the gas pipeline project, according to the China Daily newspaper.

The company has been transporting gas from Daewoo International's fields under a 30-year deal that started in mid-2013.

Chen said the CNPC unit is also considering building a LNG terminal at the Made Island oil port in the western Myanmar state of Rakhine, the starting point of the Myanmar-China pipeline.

India to offer 55 blocks

India will launch a licensing round offering 55 blocks under new rules as the country looks to kick-start exploration on its vast resources, said India's upstream regulator Directorate General of Hydrocarbons (DGH).

This will be India's first licensing round in eight years. India, the world's third biggest oil importer, last year eased rules and allowed companies to carve out areas where they want to drill, to attract greater interest and quickly monetise as much as 220 Bn boe of oil and gas resources, said the DGH, reported Reuters.

The blocks on offer cover 59,000sq km and will be offered under terms that the DGH said gave "more advantages to companies that first identified the area".

"We are now putting up the blocks for bidding to ensure transparency and greater participation," Atanu Chakraborty, head of India's DGH told Reuters.

India imports nearly 75% of its energy needs but Prime Minister Narendra Modi has set a target of cutting the country's fuel import dependency to two thirds by 2022 and to half by 2030.

"With oil prices now looking up, we anticipate good interest and more people would come in for exploration," Chakraborty said.

The deadline to submit bids is 3 April and the contracts are expected to be signed by the end of July, he added.

"This is the biggest offering of blocks in the last decade and we are offering a high-quality area, as the companies themselves have chosen it," he noted.

Around 65% of the 55 blocks are onshore and mostly in the northeastern state of Assam and western states of Gujarat and Rajasthan.

India is estimated to hold 315 Bn boe of oil and gas resources, Chakraborty said, adding: "Of this, 220 billion barrels are yet to be discovered."

TRENDS

OPEC and non-OPEC cuts success

OPEC and Non-OPEC countries participating in voluntary production cuts have achieved record-breaking levels of conformity with production adjustments during December 2017, according to OPEC.

The joint OPEC-Non-OPEC Ministerial Monitoring Committee (JMMC) said on 21 January, that the conformity level for the month was 129%. This was based on the report of the Joint OPEC-Non-OPEC Technical Committee.

The JMMC convened for the seventh time on Sunday, this time in Muscat, Oman. The committee said that the monthly average conformity level for the first year of the Declaration of Cooperation was 107%.

The JMMC was established following OPEC's 171st Ministerial Conference Decision on 30 November 2016, and the subsequent Declaration of Cooperation made at the joint OPEC-Non-OPEC Producing Countries' Ministerial Meeting held on 10 December 2016.

At the time 11, now 10, non-OPEC oil producing countries cooperated with the 13, now 14, OPEC member countries to accelerate the stabilisation of the global oil market through voluntary adjustments in total production of around 1.8m b/d.

The resulting declaration, which came into effect on 1 January 2017, was for six months. The second joint OPEC-Non-OPEC Producing Countries' Ministerial Meeting, held on 25 May 2017, decided to extend the voluntary production adjustments for another nine months commencing 1 July 2017.

At the third joint OPEC-Non-OPEC Producing Countries' Ministerial Meeting, held on 30 November 2017, it was agreed to amend the Declaration of Cooperation so that it will take effect for the entirety of 2018.

According to OPEC, conformity levels have increased on a monthly basis, from 87% in January to the outstanding current level of 129%.

The JMMC expressed satisfaction with the overall results and urged all participating countries to continue and, to the extent possible, intensify their collective and individual efforts, in the interests of bringing stability to the oil market.

According to the JMMC, recent data confirmed that global oil demand growth would continue on a positive trajectory in 2018, buoyed by the strong performance of the global economy.

Brent hits 2014 level

Brent oil price rose to US $71/bbl early today, a price level not seen since late 2014.

According to Reuters, the prices were boosted by the weak dollar and falling crude oil inventories in the USA. Prices have also been supported by the recent decision by OPEC and Russia-led non-OPEC nations to extend production cuts for another year (*see above*).

Brent reached a high of $71.05/bbl on Thursday morning, before slipping to $70.99.

According to the US Energy Information Agency, benchmark North Sea Brent crude oil spot prices averaged $64/bbl in December 2017, an almost $2/bbl increase from the November average and the highest monthly average since November 2014.

Brent crude oil prices averaged $54/bbl in 2017 and are, according to EIA, forecast to average $60/bbl in 2018 and $61/bbl in 2019.

West Texas Intermediate crude oil spot prices are forecast to average $4/bbl less than Brent prices in both 2018 and 2019.

World News

Dyna-Mac starts Liza FPSO construction

Dyna-Mac has started construction work on the topsides for the *Liza* FPSO, which will operate on ExxonMobil's Liza field offshore Guyana.

SBM Offshore of the Netherlands reported that first steel had been cut for the topside. SBM bagged the contract to construct, install, lease and operate the FPSO at ExxonMobil's Liza project late last year.

Once completed, the topside will be mated aboard the Very Large Crude Carrier (VLCC) *Tina*, which is currently undergoing conversion at the Keppel yard in Singapore.

The conversion phase started in November 2017 with the tanker arrival at Keppel shipyard in November 2017.

The FPSO is designed to produce up to 120,000 b/d of oil, will have associated gas treatment capacity of around 4.82 MMcm/d (170 MMcf/d) and water injection capacity of around 200,000 b/d. The converted VLCC FPSO will be spread moored in water depth of 1,525m (5,004ft) and will be able to store 1.6m bbl of crude oil.

The Liza field is located in the Stabroek Block, which covers nearly 27,000sq km and lies 200km offshore Guyana. ExxonMobil is the operator with a 45% stake, while Hess holds 30% and CNOOC has 25%.

VESSELS

Maersk vessels grab Australia work

Denmark's Maersk Supply Service has secured charters for two new Starfish-class anchor handling vessels offshore Australia.

The *Maersk Master* and *Maersk Mariner* vessels, both built in 2017, have landed contracts with Quadrant Energy and will operate off Western Australia.

Both vessels will support Quadrant's **Phoenix South** and **Van Gogh** drilling campaign, which will initially cover three wells over a period of 150 to 200 days. The vessels will be supporting Transocean's semi-submersible rig *DD1* with supply and anchor handling duties throughout the campaign.

"We are excited about having our two new-built Starfish vessels, *Maersk Master* and *Maersk Mariner*, operating together on this programme. This is a unique opportunity to demonstrate their state-of-the-art capabilities such as minimised environmental footprint, high standard for safety and onboard comfort for customers," said David Lofthouse, head of commercial Asia-Pacific at Maersk Supply Services.

Before heading to Australia, the *Maersk Master* worked in the North Sea on a decommissioning project, while the *Maersk Mariner* moved to Australia in August 2017 to work for another operator.

Van Gogh set for May delivery

Ultra Deep Solutions (UDS) has said that its ultra-deep diving construction vessel (DSCV) *Van Gogh* is on schedule for delivery in May this year.

UDS said the vessel has already landed a five-year charter deal in the first week of December for Malaysia's Red Tech Offshore. The 114 metre long and 23 metre wide vessel will support Red Tech in decommissioning and subsea projects around the region. The value of the deal was not revealed.

The *DSCV Van Gogh* is a DNV-GL classed vessel which comes with an 18 man 300msw saturation system, twin 18 man SPHLs, 120 POB, 150t AHC crane to 3000msw, built-in DNV-GL Air Diving system, two WROVs in hangars that can work in 3000msw and has more than 19,000 HP.

UDS has a host of other newbuilds not yet delivered. The *Picasso* recently finished its sea trials, while the *DSCV Andy Warhol* and the *Deep Matisse* are expected to be delivered in Q3 2018 and Q1 2019, respectively.

UDS recently launched the *DSCV Andy Warhol* and decided to exercise an option with China Merchants Heavy Industry for a new dive support construction vessel named the *Kandinsky*, which will be a sister vessel to the *Deep Matisse*.

RIGS

Borr eyes Keppel rigs buy

Singapore's Keppel Offshore & Marine is in talks with Oslo-listed Borr Drilling about the possible sale of jack-up rigs currently being built by Keppel FELS, a subsidiary of Keppel O&M.

The rig builder's parent Keppel Corporation has confirmed discussions for the possible sale of jack-up rigs to Borr Drilling for a price of around US $960m.

Keppel and Borr Drilling are believed to have been in talks for the sale and resale of six jack-ups, including one that the yard group has been building without any contract in hand. The Business Times reported that the other five jack-ups under consideration were originally constructed for Grupo R, Clearwater Capital, Falcon Energy Group's unit, FTS Derricks and Fecon.

Keppel said that the details and terms of any agreement relating to such sale and purchase have not yet been finalised and are still subject to ongoing negotiations and discussions, and no definitive agreement has been entered into by the companies at this stage.

Keppel further noted that the report mentioned the jack-up rig contracted by Grupo R. With regard to this, Keppel said: "There is currently no agreement involving the company or any of its subsidiaries on any potential sale-and leaseback financing arrangement with Grupo R. However, the company is always open to pursuing opportunities for win-win solutions for our customers."

Earlier this month, Borr took delivery of the first of five jack-up rigs that Keppel is building for the Oslo-listed driller.

The delivery of this rig is part of a bigger deal with Transocean, which included the sale of 15 of Transocean's rigs, its entire jack-up fleet, to Borr, including five rigs under construction at Keppel FELS.

Keppel last year said that the first three rigs would be delivered between 2017 and 2018, while the remaining two rigs would be delivered in 2020.

● Last October Borr signed a master agreement for the acquisition of nine premium jack-up rigs from Sembcorp Marine's PPL Shipyard.

Java Star 2 gets Vietnam extension

KS Energy's subsidiary KS Drilling has landed a contract extension for its *Java Star 2* jack-up rig.

The new deal extends the contract awarded to the company back in April 2017. The initial contract worth US $11.1m saw the rig start operations offshore Vietnam during the same month. The new extension worth $3m will see the rig remain on contract with the same unnamed operator.

KS added that the contract extension was not expected to have any material effect on the earnings per share and net tangible assets per share of the company for the financial year ending 31 December 2018.

The *Java Star 2* unit is of a Friede & Goldman Super M2 design. The jack-up was delivered in April 2014 by Shanghai Zhenhua Heavy Industries in China. It was constructed at a cost of $165.5m.

KS Drilling, an 80.09% owned subsidiary of KS Energy, is an investment holding company which provides onshore and offshore drilling services, rig management and support services, oilfield equipment ownership and leasing.

Keppel's profit hit by Brazil bribery scandal

Singapore's conglomerate Keppel posted a sharp dip in full-year profit due to the cost of the Brazil bribery settlement reached by its subsidiary Keppel Offshore & Marine (KOM) in late 2017.

In December 2017, KOM said it would pay fines totaling US $422m to three jurisdictions to resolve charges arising out of a 10-year scheme to pay millions of dollars in bribes to officials in Brazil.

Keppel reported a net profit of $166.4m (S$217m) for the 12 months ended 31 December 2017. This was a 72% decline on the $601.2m (S$784m) net profit for financial year 2016, due mainly to the one-off financial penalty arising from KOM's global resolution with criminal authorities in the USA, Brazil and Singapore, and related legal, accounting and forensics costs of $474.7m (S$619m). Overall, Keppel's revenue of $6.0 Bn was 12% down on the figure for 2016. This was mostly due to the 37% dip in KOM revenue as a result of lower volume of work and deferment of some projects.

For Q4 2017, the Keppel Group recorded a net loss of $379.6m (S$495m), compared to a net profit of $109.7m (S$143m) for Q4 2016. This result was also due to the same financial penalty and related costs, as well as the weaker operating results of the Offshore & Marine division, which were partially offset by higher profits from Singapore property trading, as well as fair value gains from assets recognised during the fourth quarter.

Loh Chin Hua, CEO of Keppel Corporation, said: "The global resolution reached by KOM over past misdeeds in Brazil brings an end to what has been a painful chapter for Keppel – one that we have recognised and dealt firmly with. This is not Keppel. We care not just about results, but also how they are obtained.

"The board and management have thoroughly investigated the allegations and dealt with the issues that were uncovered. We have put in place enhanced compliance controls, including comprehensive training and certification, to prevent any repeat of such misdeeds. With the issue now behind us, we look forward to continuing on our growth trajectory and building a more disciplined and sustainable business – a Keppel that will remain trusted and admired by all our stakeholders," he said.

KOM itself posted a net loss of $640.4m (S$835m) for financial year 2017, compared to a net profit of $22.2m (S$29m) for financial year 2016.

This was mainly put down to the Brazil bribery penalty and related costs, lower revenue, an additional $62.1m (S$81m) provision for losses on the *Sete Brasil* rig contracts, an impairment of $41.4m (S$54m) made to other assets, and a lower share of associated companies' profits.worth around $920.3m (S$1.2 Bn), mainly for LNG-related vessels, the conversion of FPSO units and newbuild dredgers.

Neodrill-Icon win Australia work

Norway's Neodrill and Australia's Icon Engineering have won their first contract offshore Australasia after landing a subsea wellhead foundation contract from Woodside.

Icon Engineering said that the joint venture would work on the **Ferrand** exploration well in the Carnarvon Basin.

The well has a water depth of around 1,500m (4,922ft) and lies in **WA-404-P**, around 260km northwest of Dampier, Western Australia. It is scheduled to be drilled in Q2 2018.

The partnership would rent and install Neodrill's patented suction-based conductor anchor node, the CAN-ductor. The CAN-ductor is used to pre-install drilling conductors with anchor handling or light construction vessels instead of more costly drilling rigs, thereby significantly reducing drilling and fleet costs as well as risk.

Icon's managing director David Field said: "The CAN-ductor's ability to be deployed by a less expensive vessel, such as an anchor handling or construction support vessel means the operator's drilling budget can be reduced, whether they are exploration or production wells.

Neodrill's CEO Jostein Aleksandersen added: "The CAN-ductor has proven to save three to four rig days including plugging and abandonment operations."

The suction anchor is used for pushing the centre conduit into the seabed and for providing necessary top support for the conductor. For exploration wells, the CAN can be removed and re-used. Hence the rental option being offered.

ENGINEERING & CONSTRUCTION

THHE-Yinson deal hits problems

A deal struck between Malaysia's TH Heavy Engineering (THHE) and Yinson for the *Layang* Floating Production, Storage and Offloading (FPSO) vessel contract novation from THHE to Yinson has hit a problem.

The two companies reported that the Court of Appeal on 10 January, 2018, allowed an application by Globalmariner Offshore Services (GMOS) to stay THHE's validation application of the novation pending GMOS appeal.

GMOS, which was in 2014 awarded a contract to provide manpower and expertise in support of the **Layang** field FPSO, will have a hearing by February 2018.

"The Court of Appeal has also fixed the appeal for further case management on 30 January 2018 to amongst others, fix a hearing date for the appeal. Briefly, the appeal was filed subsequent to the High Court's dismissal of GMOS's application to amongst others, intervene in the High Court proceedings on 21 December 2017," THHE said.

In November 2017 THHE, which is building the FPSO, applied to a Malaysian court to allow it novate the contract and deliver the vessel to Yinson.

Yinson confirmed the situation this week, saying it had no objection to the THHE application.

The original charter contract is for the engineering, procurement, construction, installation and commission and leasing of an FPSO to be deployed at the Layang field in **Block SK10**, offshore Miri, Sarawak and is to be novated by THHE to Yinson.

THHE's *Layang* FPSO delivery delay has been caused by the company's liquidity issues.

The engineering and construction company was in June 2014 awarded a contract for the conversion and delivery of the *Deep Producer 1* FPSO, to be used for oil production from JX Nippon's Layang field.

- In contract law, novation is the act of either: replacing an obligation to perform with another obligation; or adding an obligation to perform; or replacing a party to an agreement with a new party.

JFSE-OTAP form China JV

UK-based James Fisher Subsea Excavation (JFSE) has set up a joint venture with China's Ocean Team Asia Pacific (OTAP) to provide improved services to clients in China.

The JV will be called James Fisher Ocean Team and the move comes on the back of an existing four-year cooperation between JFSE and OTAP.

The company added that equipment would be positioned permanently in China to enable efficient mobilisation. Local operational and project management personnel will be delivering JFSE's Mass/Controlled Flow Excavation (M/CFE) services in the oil and gas sector.

The new JV will also focus on establishing M/CFE as a solution for projects in the offshore renewables sector.

JFSE's team has had a presence in the region for eight years and has already completed numerous projects for Chinese clients, including pipeline and cable trenching, deburial, and free span correction works, JFSE said.

Richard Beattie, JFSE APAC regional director, said: "China is an important and growing market place. Increasing our presence here is part of our strategic development plan for the continued growth of our business. We are confident our M/CFE tools and expertise will play a vital role in increasing the time and cost-efficiencies on a wide range of projects emerging in the oil and gas and renewables sectors."

Roger Wang, CEO of OTAP, added: "This is an important step for us to increase and enhance how we can develop JFSE's M/CFE offering in China. Establishing a local company, contacts and equipment base in China is vitally important to truly realise the potential of our growing market place."

ONGC's $5.78 Bn for HPCL stake

India's state-owned Oil and Natural Gas Corp (ONGC) has sealed a deal to acquire the Indian government's 51.1% stake in state-refiner Hindustan Petroleum Corp Ltd (HPCL) for US $5.78 Bn (369 Bn rupees), according to reports.

It will pay a premium of around 14% on HPCL's current market price for the stake, ONGC said, adding that it expects to complete the deal by the end of January.

The deal is part of the government's objective to combine various public sector enterprises "to give them the capacity to bear higher risks" and create more value for shareholders, ONGC said.

Purchasing a stake in India's third largest state-owned refiner would also help ONGC to diversify its cash flow and reduce its vulnerability to changing global crude prices, ONGC said, Reuters reported.

The proceeds from the HPCL stake sale will also help the federal government pay for welfare programmes.

India said it plans to raise $11.35 Bn (725 Bn rupees) through the sale of government stakes in various companies.

India is the world's third biggest oil consumer, importing around 80% of its crude needs. Prime Minister Narendra Modi has set a target to reduce dependence on oil imports by 10% by 2020.

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