Vol. 17 Issue 17 **30 August 2018**

ASIA OIL AND GAS NEWSLETTER

BREAKING NEWS AND ANALYSIS FROM ACROSS ASIA

Santos to buy Quadrant for US $2.15 Bn

Santos has agreed to acquire fellow Australian operator Quadrant Energy for US $2.15 Bn plus potential contingent payments related to the Bedout Basin.

The move is "consistent with Santos' growth strategy of building on existing infrastructure positions around core assets" and "advances Santos' aim to be Australia's leading domestic natural gas supplier".

The acquisition will be fully funded from existing cash resources and new committed debt facilities, with rapid de-gearing expected to <30% by the end of 2019, Santos said.

The deal will increase proforma 2P reserves by 220m boe, up around 26% and proforma annual production by 19m boe, up around 32%.

The acquisition will have an effective date of 1 January 2018. Completion is expected by the end of 2018 and is subject to customary consents and regulatory approvals.

Santos managing director and CEO Kevin Gallagher said: "This acquisition delivers increased ownership and operatorship of a high quality portfolio of low cost, long-life conventional Western Australian natural gas assets which are well known to Santos, and importantly significantly strengthens Santos' offshore operating capability.

"It is materially value accretive for Santos shareholders and advances Santos' aim to be Australia's leading domestic natural gas supplier. The transaction lowers our proforma 2018 forecast free cash flow breakeven oil price by a further $4/bbl and Quadrant's stable cash flows provide increased certainty during the upcoming period of major growth project delivery," Gallagher added.

Quadrant holds natural gas and oil production, near and medium term development, appraisal and exploration assets across more than 52,000sq km of acreage, predominantly in the Carnarvon Basin offshore Western Australia.

Quadrant's share of production from the assets in 2017 was 19m boe. 2P reserves at the end of 2017 were 220m boe (around 75% developed).

Quadrant's conventional natural gas assets include significant portfolio overlap with Santos, providing opportunity to realise material combination synergies estimated at $30m-50m per year.

Quadrant's portfolio also includes a large inventory of discovered resources to backfill existing infrastructure and a leading position in the Bedout Basin, including the recent significant oil discovery at **Dorado** (Quadrant 80%), which provides near-term development opportunity and unlocks material exploration potential, Santos added.

Quadrant delivers operatorship of Santos' existing gas hubs in Western Australia, providing flexibility to optimise operations and position Santos to capture value from backfill and third party gas opportunities. It also strengthens Santos' offshore operating expertise and capabilities to drive future growth opportunities across offshore Western Australia and Northern Australia.

Quadrant's portfolio of high-margin conventional domestic natural gas assets backed by medium to long-term CPI-linked offtake contracts provide strong and stable cash flows, and complement Santos' predominantly oil-linked revenues, Santos said.

Vedanta bags 41 Indian blocks

Vedanta has landed 41 exploration licences out of the 55 blocks offered in the first round of auctions under India's new Open Acreage Licensing Policy (OALP-I).

The results of the auctions were announced by the Directorate General of Hydrocarbons (DGH), which also said that state-owned players Oil India (OIL) and Oil and Natural Gas (ONGC) respectively won nine and two blocks, while GAIL (India), Hindustan Oil Exploration Company (HOEC) and Bharat PetroResources each bagged one block each.

Vedanta's chairman Anil Agarwal told reporters: "We are an energy-deficient country and policies like OALP will help reduce the country's import dependence for oil from around 80% now to 67% by 2022, in line with the vision of the Prime Minister. The development further strengthens our vision to invest in India and contribute 50% of India's domestic crude oil production."

"Our key endeavour is to go ahead and do surveys which will allow us to spot opportunities to drill the well in under two years," Sudhir Mathur, chief executive of Vedanta's oil and gas business, told local television channel CNBC TV18.

ONGC submitted bids for 37 blocks either on its own or as part of a consortium with other state-owned companies, while OIL bid for 22 blocks.

The 55 blocks cover a total area of nearly 60,000sq km. Approximately 102,000sq km is currently under exploration, the Press Trust of India reported, citing officials.

The country's new Hydrocarbon Exploration Licensing Policy (HELP) allows companies to choose their own blocks and then bid on them.

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INSIDE THIS WEEK

TRENDS

Project spending figures

Russia's Gazprom, China's state-owed Sinopec and Anglo Dutch major Shell are among the top spenders on planned and announced projects among all oil and gas companies across oil and gas value chain by 2025, says analysts GlobalData.

Gazprom tops the list with estimated capital expenditure (capex) of US $160 Bn expected to be spent on 84 oil and gas projects around the world. Sinopec and Shell follow with $87 Bn (74 projects) and $86 Bn (91 projects) respectively, noted GlobalData.

The company's report 'H1 2018 Top Global Oil and Gas Companies Planned Projects and Capital Expenditure Outlook' shows that in the upstream sector, Shell leads among companies with an estimated capex of $58 Bn to be spent on 53 planned and announced production fields globally. Brazil's state player Petrobras follows with $48 Bn spent on 33 fields and Gazprom will be in third position with $40 Bn to be spent on 22 fields.

In the midstream sector, Gazprom is expected to lead both pipeline and gas processing sectors in terms of capex spending. In the pipeline segment, Gazprom is estimated to spend $71 Bn to bring 18 planned and announced projects online by 2025.

Raj Sekhar, Oil & Gas analyst at GlobalData, said: "In the LNG liquefaction segment, Qatar Petroleum is projected to spend an estimated capex of $35 Bn on two upcoming liquefaction terminals by 2025, while China National Offshore Oil Corporation leads in regasification capex, with $4 Bn to be spent on three upcoming regasification terminals."

SEISMIC MARKET

Shearwater to buy WesternGeco assets

Shearwater GeoServices and Schlumberger have entered into a definitive agreement for Shearwater to acquire the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger.

Schlumberger revealed plans in January for WesternGeco to exit the marine and land seismic acquisition sector and turn into an asset-light business.

The deal is subject to regulatory approvals and other customary closing conditions. The deal is expected to be closed in Q4 2018, Shearwater said.

Shearwater GeoServices will operate the combined businesses as a global, customer-focused and technology-driven provider of marine geophysical services. Shearwater will own and operate a fleet of 14 fully equipped seismic vessels offering a full range of acquisition services including 3D, 4D and Ocean Bottom Seismic (OBS).

Shearwater was formed in 2016 between GC Rieber Shipping and Rasmussengruppen, taking over four GC Rieber Shipping seismic vessels: the *Polar Empress*, *Polar Duke*, *Polar Duchess* and *Polar Marquis*.

Under the terms of the agreement, Shearwater will acquire 10 high-end seismic acquisition vessels, including seven 3D vessels and three multipurpose vessels configured to serve the growing OBS market, 12 complete streamer sets with spares, as well as two source vessels. The proposed transaction also includes WesternGeco proprietary marine seismic technology, as well as development and manufacturing facilities in Norway and Malaysia.

Schlumberger will receive cash consideration based on an enterprise value of US $600m plus a 15% post-closing equity interest in Shearwater GeoServices Holding.

In addition, Schlumberger will for a limited period be entitled to payments under an earn-out agreement linked to future vessel usage over and above specific thresholds. To ensure a more robust financial platform, an additional $50m of cash will be injected in Shearwater GeoServices Holding for working capital purposes, bringing the total cash funding requirement for the proposed transaction to $650m.

The $600m in cash consideration to Schlumberger and $50m for working capital purposes will be funded by $325m in new cash equity and $325m in debt financing.

Rasmussengruppen has fully underwritten the equity issue and GC Rieber Shipping intends to subscribe for approximately $28m (of the total of $325m) before closing. The debt financing will be provided by DNB Bank and Sparebank 1 SR-Bank.

Under the terms of the agreement, Schlumberger will have an option to utilise two vessels from Shearwater on potential multi-client work for the first two years after closing the transaction.

Shearwater will continue to develop and offer processing and imaging services and Reveal software. The company will also have a portfolio of proprietary streamer technology and processing software enabling effective execution of geophysical surveys and delivery of high-quality data.

"We will combine two strong complementary businesses and create an industry-leading full-service geophysical company with a solid financial and strategic platform," said Irene Waage Basili, CEO of Shearwater. "Our strategy has been to build a stronger company during the downturn, and we are very pleased to see the commitment made by our owners, which enables this transaction."

After completion of the transaction, Shearwater will have nearly 600 employees.

"Our customers will benefit from our expansion as a full-service provider that has critical mass, global reach and long-term viability. We intend to grow, and we are committed to investing in technology and people to drive the efficiency of our services," said Basili.

Maurice Nessim, president of WesternGeco, added: "With the divestiture of our marine seismic acquisition business, WesternGeco will be strategically positioned as one of the largest asset-light geophysical services providers in the oil and gas industry. Through access to the industry's global marine fleet, including Shearwater's vessels, we will continue to provide our customers with exploration and discovery services that leverage our leading global multi-client library, advanced seismic imaging and interpretation services, with the aim of helping to accelerate hydrocarbon discovery."

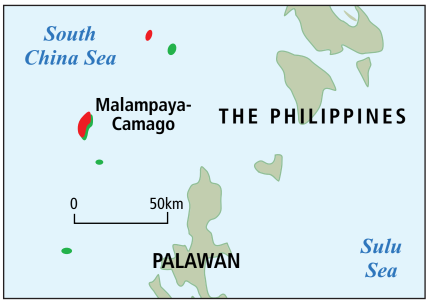
FIELD DEVELOPMENT

Wood bags Malampaya deal

Wood Group has won a six-year contract from Shell to provide asset management services to the **Malampaya** deepwater gas-to-power project offshore the Philippines.

Wood will provide maintenance services, modifications, and shutdown support as part of the contract, which covers Shell's onshore facilities in Batangas and offshore assets in the Malampaya field, near Palawan Island. The value of the deal was not revealed.

The contract will be supported by Wood's established local presence in Manila and regional upstream hub in Kuala Lumpur, creating 60 new positions, Wood said.



Wood has supported the Malampaya project through the provision of integrity management of subsea pipelines since 2001.

The company previously completed the Front-End Engineering Design (FEED), and Engineering, Procurement and Construction (EPC) of the onshore gas plant in the late 1990s and early 2000s, providing further asset support to the gas-to-power facility under a long-term agreement.

The Malampaya deepwater gas-to-power triggered the start of the Philippine's natural gas industry, supplying natural gas to provide 3,200MW of power to meet around 30% to 50% of the country's power generation requirements.

ENGINEERING & CONSTRUCTION

Ocean Installer wins China deal

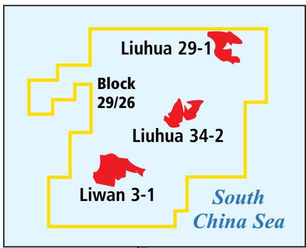
Norway's Ocean Installer has landed its first contract in China, with Husky Energy handing out the workload.

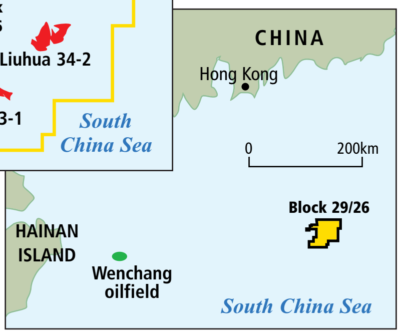
Ocean Installer will provide third party verification and engineering support work for the **Liuhua 29-1** gas field development project in the South China Sea for Husky.

The work scope includes third party verification of detailed design and subsea construction engineering, as well as various other support functions to the client's engineering team.

Ocean Installer will conduct the work as a subcontractor to COOEC Subsea Technology, which is responsible for the deepwater SURF (subsea, umbilicals, risers and flowlines) EPCI (engineering, procurement, construction and installation) work scope.

Work has already started and the contract is expected to last for 18 months.





Steinar Riise, executive vice president of Ocean Installer, said: "This is Ocean Installer's first job in a country where we aim to establish ourselves, and the first job we have been awarded by COOEC Subsea Technology. Ocean Installer's global subsea construction knowledge and expertise will be used to complement our client's capability to ensure overall success for the project, and we believe this type of cooperation will be important going forward in what is still a challenging market."

Ocean Installer's project management team will be based in Shenzhen, China, and the work will be supported by Ocean Installer's main office in Norway.

The Liuhua 29-1 field is located around 300km south of Hong Kong at water depths of around 700m (2,296ft). Husky Oil operates the project with a 75% stake, while state-owned CNOOC holds the remaining 25%.

LNG

Bangladesh MLNG commissioned

US-based Excelerate Energy has completed the commissioning of the *Moheshkhali* Floating LNG (MLNG) terminal, which is Bangladesh's first LNG import facility.

Excelerate said that this milestone was achieved around 25 months after the execution of project agreements with the state-owned Bangladesh Oil, Gas & Mineral Corporation (Petrobangla) in July 2016 and 13 months following the financial arrangements with lenders, led by the International Finance Corporation (IFC), in August 2017.

Excelerate added that the construction activities were completed during the southwestern monsoon season.

Located offshore Moheshkhali Island in the Bay of Bengal, the terminal has started delivering natural gas to the Chittagong region of Bangladesh – the first time the country has received natural gas from the global market.

The new terminal allows Petrobangla to procure LNG from international markets and is expected to increase supply to the country by 20%.

Excelerate's managing director, Steven Kobos, said: "This innovative project would not be possible without the tremendous support and collaboration of Petrobangla and the government of Bangladesh. I am proud of our team for successfully completing this critical piece of infrastructure under some of the most challenging offshore conditions.

"I believe that MLNG will support the future growth of Bangladesh's economy, and we are committed to providing safe and reliable operations for many years to come."

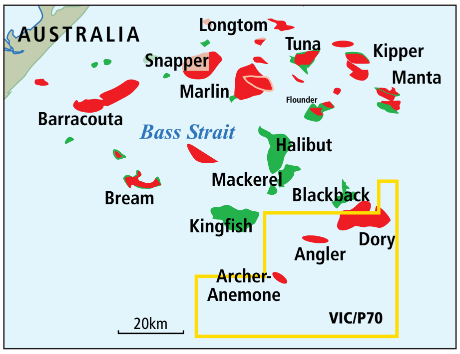
Hyun-Chan Cho, the IFC's regional head of infrastructure in Asia, added: "MLNG is a transformational project that will create a new market for energy supplies into the country, help diversify fuel sources and secure the much-needed additional natural gas to address power shortages in the country."

Excelerate first started developing the MLNG terminal with the government of Bangladesh in 2012, which, at the time, was seeking reliable gas import infrastructure solutions that could withstand the demanding conditions of the Bay of Bengal.

EXPLORATION

Gippsland Basin campaign underway

US major ExxonMobil has kicked off an exploration drilling campaign in the Gippsland Basin offshore Australia.



ExxonMobil will drill two exploration wells on the **Baldfish** and **Hairtail** prospects on the **VIC/P70** concession as the player hunts for more gas reserves.

VIC/P70 is located around 90km off the East Gippsland Victorian coast. ExxonMobil has a 100% stake in the block.

The wells are being drilled by Diamond Offshore's *Ocean Monarch* semi-submersible rig. Operations are scheduled to take several months.

Chairman of ExxonMobil unit Esso Deepwater Gippsland, Richard Owen, said: "The two wells will be drilled in water depths ranging from 350m (1,148ft) to 700m (2,296ft), amongst the deepest water depths drilled in the Gippsland Basin.

"These wells are targeting gas prospects, with the objective of proving up resources for timely development and contribution to the Australian domestic gas market," Owen added.

The A$120m (US $87.7m) investment in drilling by Esso Deepwater Gippsland is in addition to the recent investments by ExxonMobil Australia in Victoria, including the A$4.5 Bn ($3.29 Bn) **Kipper Tuna Turrum** offshore project, the A$1 Bn ($730.8m) Longford gas conditioning plant and the future development of the **West Barracouta** gas field, ExxonMobil said in a statement.

"This A$120m exploration drilling programme demonstrates our commitment to bringing new gas supplies to the domestic market. ExxonMobil Australia is also actively considering a potential LNG import project to bring additional supply to the east coast gas market," Owen noted.

Since ExxonMobil drilled the first well in 1965 in Australia's Bass Strait, approximately 4 Bn bbl of crude oil and 226.63 Bcm (8 Tcf) of natural gas have been produced.

RIGS

Pertamina hires *Hakuryu-14*

Pertamina has hired the *Hakuryu-14* jack-up drilling rig, owned by Japan's JDC, according to reports.

The rig has been chartered on a one-year term contract, with work expected to start on 1 September 2018 and end on 30 August 2019. The contract also includes a one-year extension option, reported website VesselValue.

The *Hakuryu-14* can operate at a water depth of 122m (400ft) and is a self-elevating cantilever jack-up rig, which was built by PPL Shipyard in 2018 using a Baker Marine Design.

The contract for the construction of the rig was awarded to Sembcorp Marine's PPL Shipyard in November 2014.

Pacific Drilling's rig boost

Pacific Drilling could soon have five rigs drilling at the same time – in a major surge of activity levels considering the company has had just one rig working in recent months.

Pacific is still working to restructure its debt and has been depending on revenue from its long-term US $550,000 a day contract for the *Pacific Sharaw* drillship with Chevron in the US Gulf of Mexico (GoM). There have also been occasional short-term deals for the *Pacific Santa Ana*, *Pacific Bora* and *Pacific Scirocco*.

However, Pacific Drilling, which owns seven ultra-deepwater drillships, said it has landed longer-term letters of award for two of its drillships – the *Pacific Khamsin* and *Pacific Meltem* – both of which are currently 'smart-stacked' in Las Palmas, Spain.

The drillships are being hired by an undisclosed customer in the GoM on two-year contracts at a $160,000 dayrate each. Both contracts are expected to start in early 2019.

Pacific also reports that Malaysia's state player Petronas has exercised its option to contract the *Pacific Santa Ana* drillship for an additional year of work starting in mid-2019.

The *Pacific Santa Ana*, also currently stacked in Las Palmas, will be used for integrated services under Phase II of Petronas' plug and abandonment project in Mauritania, with work expected to start in mid-2019 for an estimated 360 days. The dayrate for this rig is $280,000

In addition, Pacific is looking to convert a letter of intent it has with Italy's Eni for the *Pacific Bora* drillship into a firm contract.

The letter of intent is for work offshore Nigeria for one firm well, with two option wells, with each well estimated to take around 90 days. The dayrate is expected to be $150,000, with work due to start in October 2018.

Taking all of the potential deals into consideration, Pacific could have five drillships working at once.

LICENSING

Vedanta bags 41 Indian blocks

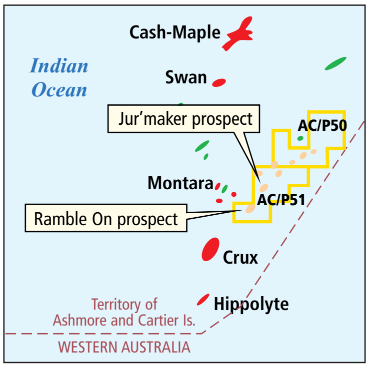
...continued from page 1 Under HELP, companies can explore and produce all forms of hydrocarbon under a single licence.

Through this policy, the government is looking to increase domestic oil and gas production, enhance transparency and reduce administrative discretion.

Operators are entitled to freely market crude oil and natural gas produced from the blocks.

India aims to reduce its reliance on crude and natural gas imports and is targeting to reduce oil imports to 67% by 2022 and to 50% by 2030.

Melbana exits Vulcan assets



Melbana Energy has exited two permits in the Vulcan Sub-basin offshore northwest Australia.

The Australian operator will transfer its 55% stake in the **AC/P50** and **AC/P51** permits to Rouge Rock, which currently holds a 45% stake in the permits.

This move allows Melbana to avoid exposure to future costs at the blocks, as the forward work programme for the current permit year includes geological and geophysical studies including interpretation and mapping of reprocessed inversion seismic data with an estimated aggregate cost of US $367,487 (A$500,000).

The next permit year starting 19 May 2019 includes an exploration well in each permit.

Melbana said the divestment would allow it to "concentrate its resources on its high impact Cuban and Australian assets" ahead of an expected significant increase in activity levels.

The deal is structured so that if Rouge Rock enters into an arrangement in future for cash, Melbana earns 10% of the cash benefit received by Rouge Rock.

If Rouge Rock enters into an arrangement in future that provides for a full or partial carry on a well, Melbana has the right to back-in for a 5% stake after the well is drilled, effectively providing a carried interest during the drilling process and avoiding costs associated with the drilling process.

Australia to review block terms

The Australian government will review the commercial value of southeast Australian offshore blocks in order develop offshore reserves "as soon as possible," warning that some operator could lose licences if they remain inactive.

Minister for Resources and Northern Australia Matt Canavan has asked the National Offshore Petroleum Titles Administrator (NOPTA) to conduct the review.

"The Coalition Government is working to promote the development of new energy supplies for southeastern Australia," Minister Canavan said. "The Australian government is committed to developing offshore petroleum resources as early as possible."

He added that the key to improved domestic gas supplies and lower prices was increasing gas production and supply competition.

"This could come from bringing offshore deposits in southeast Australia into a production licence, as well as adopting the Australian Competition and Consumer Commission's call for state governments to avoid blanket moratoriums of onshore gas developments," the minister noted.

Under NOPTA's definition, a retention lease "encourages the timely development of petroleum resources" and "provides security of title" for those resources that are not currently commercially viable but are likely to become so within 15 years.

However, the government has now decided to take another look at the awarded retention leases.

"Re-evaluating the commercial viability of retention leases in the Victorian and Tasmanian offshore areas will determine if there are resources that could be brought into production," Minister Canavan said.

He also hinted that some companies might lose their offshore blocks in the area, saying: "If the review determines there are commercially viable resources, the power exists to revoke the retention lease. In that case, the titleholder can then be required to apply for a production licence or to surrender the area, in which case it will become vacant acreage and be available for re-release.

"This review is complementary to the Australian government's 2017 Offshore South East Australia Future Gas Supply study, which provided detailed analysis of the volumes of gas within offshore southeast Australian basins for potential future input into the east coast domestic gas market," added Minister Canavan.

VESSELS

Huisman's *Sleipnir* crane work

Huisman has completed the installation of two 10,000-tonne tub mounted cranes on Heerema's *Sleipnir* Semi-submersible Crane Vessel (SSCV).

The two new build cranes are the world's largest tub cranes, with a lifting capacity of 10,000 metric tonnes, and have a radius of 48 metres, said Huisman.

Senior project manager of Huisman, Ronald van Dijk, said: "Currently, we are focusing on the commissioning and testing phase of both cranes, resulting in the ultimate overload test and final delivery."

The Jurong Shipyard also ordered a Pedestal Mounted Offshore Crane (PMOC) from Huisman for the *Sleipnir* SSCV, back in October 2016.

The PMOC crane will function as an auxiliary crane for the two 10,000-tonne tub cranes designed, constructed, and installed by Huisman.

The *Sleipnir* SSCV is designed for worldwide offshore construction and heavy lifting. With 220 metres in length, and 102 metres in width, the vessel will become the world's largest crane vessel. The *Sleipnir* is due to come into service in early 2019.

The vessel already has two contracts lined up. The first is with Noble Energy for transportation and installation services associated with the Leviathan production platform in the Mediterranean Sea.

The second one is for the transport and installation of the new production and living quarters platforms as part of its Tyra Future project in the Danish North Sea. That contract was awarded by Maersk Oil prior to its acquisition by Total.

Calendar 2018

SEPTEMBER

4-7
8th Annual LNG Transport, Handling and Storage 2018 Forum
Padma Resort, Bali, Indonesia
http://lng-world.com/lng_bali2018

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

OCTOBER

8-11
2nd Emergency Management for Oil & Gas Summit 2018
Singapore
Contact: enquiry@equip-global.com
Tel: +65 63760908
www.equip-global.com/emergency-management-for-oil-and-gas

30-31
8th China Offshore Oil & Gas Summit and Exhibition 2018 (COS 2018)
Beijing, China
Contact: jc@giccgroup.com
Tel: 86-371-55008048
www.giccgroup.com/cos

NOVEMBER

27-29
OSEA 2018
held alongside:
OGmTech & SUBSEA Asia
Singapore
www.osea-asia.com

2019

MARCH

5-7
Oil & Gas Tech Asia 2019
Ho Chi Minh City, Vietnam
Contact: info@phoenixtradefairs.com
Tel: (+84) 28 665 000 40
www.oilgastechasia.com

6-7
14th LNG Supplies for Asian Markets 2019 (LNGA 2019)
Singapore

APRIL

1-5
19th International Conference & Exhibition on Liquefied Natural Gas
Shanghai, China
Contact: info@lng2019
Tel: +44 20 7978 0775
http://www.lng2019.com

VESSELS

Ultra Deep eyes sixth DSCV

Singapore-based Ultra Deep Solutions is gearing up to start the design, engineering, and construction of its sixth Diving Support and Construction Vessel (DSCV).

Ultra Deep said that the vessel would be a new hybrid design, which follows the company's focus on efficiency and the environment.

The new hybrid will be 125 metres long and 25 metres wide. The vessel will pack 3MW of battery storage power to offset fuel. The construction time for the newbuild will be around 28-30 months.

Shel Hutton, CEO of Ultra Deep, said: "Market conditions have changed and oil majors are constantly looking for more efficient vessel alternatives. The new 'hybrid' subsea line will complement our fuel-efficient vessels already in operation. Our team's focus will be to reach 4-5 tons or less of fuel per day working in dynamic positioning mode. This is just the start for us to continue to strive in an ever-changing vessel climate."

In February, Ultra Deep said it was looking into the cost of building a hybrid deepwater flexible pipelay vessel.

The company said at the time that it was exploring the cost of building a 5,000-ton heavy lift DP3 deepwater 3,800 MSW pipe lay and flex lay vessel with capability for 'J' and 'S' Lay.

Ultra Deep has three other vessels under construction – the *Van Gogh*, the *Andy Warhol* and the *Matisse* – with delivery dates set for 2018 and 2019.

The company's completed newbuilds are the *DSCV Picasso*, which completed sea trials in January, and the *DSCV Lichtenstein*.

In January 2018, Ultra Deep decided to exercise an option with China Merchants Heavy Industry for a new DSCV, which would be a sister vessel of the *Matisse*. The new vessel will be called the *Kandinsky*.

FINANCE & INVESTMENT

Petronas sees Q2 profit surge

Malaysia's state-owned Petronas has reported a near doubling of profit in Q2 2018, aided by higher oil prices.

Petronas' profit for Q2 2018 totalled US $3.32 Bn (13.63 Bn ringgit), up from $1.72 Bn (7.06 Bn ringgit) a year earlier. Revenue increased 14.7% to $14.42 Bn (59.24 Bn ringgit).

Production volume for the first half of the year rose to 2.383m boe/d from 2.342m boe/d in Q2 2017.

LNG sales volume for the first half dipped to 14.48 million metric tonnes, down by 0.21 million tonnes, mainly due to lower volume from plants, Petronas said.

After years of cautionary spending due to a weak energy market, Petronas is now looking to spend more as oil and gas prices stabilise.

"We will endeavour to expand our core business portfolio while exploring opportunities to step out into speciality chemicals and new energy," said Petronas CEO Wan Zulkiflee Wan Ariffin at a press conference, adding that Petronas will continue to maintain a "prudent view on the outlook."

Petronas expects its full-year performance to be "satisfactory". Petronas is budgeting for an oil price of US $66/bbl for next year.

Petronas will pay the Malaysian government, its sole shareholder, a dividend of $5.84 Bn (24 Bn ringgit) this year, up from $3.89 Bn (16 Bn ringgit) last year. The company had earlier expected to pay $4.62 Bn (19 Bn ringgit) this year.

The higher dividend comes at an important time for the Malaysian government, which is relying more on Petronas – a significant contributor to government coffers and the country's largest employer – to offset a revenue shortfall from scrapping an unpopular consumption tax.

Petronas is the sole manager of Malaysia's oil and gas reserves, and is the world's third-biggest LNG exporter after Qatar and Australia.

As oil prices plunged, Petronas said in 2016 that it would cut spending by $12.17 Bn (50 Bn ringgit) in the following four years. But it has been making new investments in recent months in Mexico, Senegal and Canada.

The company's upstream CEO Anuar Taib said there would be a modest increase in activity in Malaysia.

Petronas is planning capital expenditure of $3.41-3.65 Bn (14-15 Bn ringgit) next year for Malaysian upstream activity, up from around $2.92 Bn (12 Bn ringgit) this year, he said.

CEO Wan Zulkiflee said Petronas was in talks with Malaysia's oil and gas-rich Sarawak state, which earlier this year asserted its right to its resources.

Sarawak wants to assume full regulatory authority for the upstream and downstream industries in the state – a move that would affect Petronas' operations.

Last year, the state government formed an oil and gas company, Petroleum Sarawak (Petros) and has also been demanding higher royalties from Petronas.

Wan Zulkiflee said Petronas is talking with Petros about day-to-day operations but the demand on royalties will be dealt with by the federal government, which regulates the company.

Sapura looks to raise $974m

Malaysia's Sapura Energy is aiming to raise US $974.2m (4 Bn ringgit) through a rights issue – with the player also considering listing its E&P business and finding a partner for its drilling business.

Sapura Energy said it had proposed a rights issue as part of a broader strategic plan to "strengthen the group's core businesses, boost its financial position, and create better value for its shareholders".

"In addition to the rights issue exercise, the group is evaluating various options which may involve the listing of its E&P business and exploring a possible strategic partnership for its Drilling business," said the company, which owns a fleet of tender assist drilling rigs.

The exercise entails raising up to $974.2m, of which up to $730.7m will be through the rights issue of ordinary shares with free warrants and up to $243.6m through the rights issue of Islamic redeemable convertible preference shares.

Shahril Shamsuddin, president and CEO of Sapura Energy, said: "Sapura Energy is in a strong growth phase today and we are determined to capitalise on the emerging opportunities. The rights issue will enable us to strengthen our balance sheet and continue with our growth momentum which includes bidding for and executing higher value projects globally."

Sapura Technology, a direct shareholder which holds 16% in Sapura Energy, has declared an intent to take part in the rights issue for a minimum amount of $73.1m. Meanwhile, PNB has indicated its support for the exercise by committing to subscribe to its entitlement and is looking at the prospect of taking up excess shares up to an agreed amount to be determined later.

"Each of these business segments has differing aspirations, capital requirements and unique risk-reward profiles, which prompted the strategic plan," Sapura Energy said.

"Our businesses have grown to such a scale that it is now an opportune time for Sapura Energy to execute our strategic plan that will allow each of the businesses to have access to capital markets to pursue their growth aspirations and ride on the growth wave," said Shahril Shamsuddin.

Lukoil Q2 profit on the up

Russia's second largest oil producer, Lukoil, reported a 20% rise in Q2 2018 profit helped by stronger oil prices and a weaker rouble.

Profit was posted as US $2.45 Bn (167.3 Bn roubles) for the second quarter. Analysts, polled by Reuters, had expected a net profit at $2.51 Bn (171 Bn roubles).

Lukoil, which is controlled by Vagit Alekperov and his deputy Leonid Fedun, said its earnings were supported by higher sales despite a decline in oil production after a global oil deal to curb output.

Sales in Q2 2018 increased to $302.0m (2.06 trillion roubles), from $199.4m (1.36 trillion roubles) in Q2 2017.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose to $4.33 Bn (295.2 Bn roubles), from $2.62 Bn (179 Bn roubles) in the same period of 2017.

Lukoil also said its adjusted free cash flow jumped in the April to June quarter by more than 65% to a record $2.23 Bn (152 Bn roubles).

Gazprom posts profit rise

Russian Gazprom has reported a rise in Q2 2018 profit, which beat analysts' expectations, thanks to rising energy prices.

Gazprom said Q2 2018 profit rose to US $3.80 Bn (259 Bn roubles), from $704.3m (48 Bn roubles) in Q2 2017 and above a forecast of $3.34 Bn (228 Bn roubles) in a Reuters survey of analysts.

Gazprom's shares were up 1.1% after the results, outperforming the broader Moscow stock market, which was 0.8% higher.

Gazprom shipped more than 101 Bcm (3.57 Bcf) of natural gas to the EU and Turkey in the first half of the year, up 6% year-on-year and accounting for around a 34% share of Europe's gas market.

Russian oil producer Gazprom Neft said that it had almost doubled year-on-year net profit in the second quarter to $1.42 Bn (96.8 Bn roubles) on higher oil prices and rising production from new projects.

COMPANY NEWS

Bumi to pay EnQuest US $15m

Malaysia's Bumi Armada has agreed to pay US $15m to EnQuest to settle issues with the *Armada Kraken* FPSO (Floating Production, Storage and Offloading) vessel offshore the UK.

Bumi Armada delivered the *Armada Kraken* FPSO in February 2017 to the EnQuest-operated Kraken field in the UK North Sea.

The two companies have been working to resolve a dispute regarding delays in FPSO topsides commissioning.

The FPSO produced first oil in June 2017, four and a half months after its hook-up. However, in August the same year, EnQuest had to downgrade its full-year oil production forecast due to topside commissioning delays with the *Armada Kraken* FPSO.

EnQuest said it had "agreed compensation settlement with Armada Kraken, a wholly-owned subsidiary of Bumi Armada, in relation to historic issues with the FPSO."

The operator added that Bumi would pay $15m to the Kraken partners, "which is to be fully settled by 17 December 2018."

"While there is still further work to complete before a final acceptance certificate can be issued, this agreement allows all parties to work together to deliver final acceptance on a defined basis," EnQuest said.

In a separate statement, Bumi Armada's CEO Leon Harland, said the agreement was an important step forward as it "finally provides an objective roadmap to establish the final acceptance of the *Armada Kraken* FPSO and it mitigates some critical exposures under the original contract."

Harland added: "We have taken substantial provisions in view of the long-term financial exposures that remain under the contract."

Tap rejects Northern offer in favour of Risco

Australia's Tap Oil dismissed a takeover bid from Northern Gulf Petroleum Holdings and following recommendation s, shareholders accepted a previous offer by Risco.

Tap Oil, which owns a share in the **Manora** oil field in Thailand, said Northern Gulf had sent "an unsolicited indicative, conditional and non-binding proposal" regarding a potential offer to acquire some of the shares in Tap that Northern Gulf and its associates do not already have a relevant interest in.

The Northern Gulf proposal outlines a potential proportional off-market takeover offer from Northern Gulf to acquire 10% to 20% of the ordinary shares of Tap in which Northern Gulf and its associates do not already have a relevant interest, at an indicative price of between US $0.10-$0.11 cash per Tap share.

Northern Gulf and its associates currently hold around 25.5% of Tap's issued share capital.

One of the conditions of the proposal was that Tap directors withdraw their recommendation of the existing $0.091 cash on-market takeover offer made by Risco Energy Investments and unanimously recommend acceptance of the Northern Gulf Proposal.

But Tap directors rejected the move "as not a superior to the Risco offer", and have recommended that shareholders accept the Risco offer instead.

Tap said that in considering whether the Northern Gulf Proposal had the potential to be a superior offer, the independent directors took in to account the conditionality of the Northern Gulf Proposal, the low proportion of 10% to 20% being offered, the higher potential offer price of $0.10-$0.11 cash per Tap share, potential timing of the Northern Gulf proposal, and the certainty of any offer becoming a firm commitment capable of acceptance by Tap shareholders.

"The independent directors of Tap have met to consider the Northern Gulf proposal and have formed the view that the Northern Gulf proposal in its current form is not a superior proposal to the existing Risco offer," Tap said.

On 27, 28 and 29 August Risco acquired ordinary shares in Tap as part of the takeover process.

Ophir gets Santos buy approval

Ophir Energy has received shareholder approval for its proposed acquisition of Santos assets in South East Asia.

In May this year, Ophir agreed to acquire a package of South East Asian assets from Australia's Santos for US $205m.

At Ophir's recent annual general meeting, the Ophir shareholders approved the Santos transaction.

The portfolio of assets includes material producing assets in Vietnam and Indonesia, as well as exploration and appraisal assets in Malaysia, Vietnam and Bangladesh.

Ophir has described the Santos assets package as "a balanced and complementary portfolio of South East Asian assets with low operating costs, strong cash flows, near-term development opportunities and exploration potential."

Santos has said that the producing assets being sold are relatively late-life and are not prioritised for capital in its portfolio. Santos' share of production from the assets in Q1 2018 was 1.4m boe.

The deal will add around 13,500 boe/d of net working interest production to Ophir in 2018 and around 21.2m boe to Ophir's net working interest reserves.