

US expansion catches eye of Banpu, PTTEP

Opening of shale resources holds appeal

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Thai energy firms Banpu Plc and PT Exploration and Production Plc (PTTEP) are reacting to the announced increase in petroleum production by the US by increasing their investment in the Marcellus and Utica shale regions.

The US move to expand petroleum production by opening up oil and gas resources in many areas is expected to stimulate the economy and create jobs this year.

Thailand's biggest coal miner and coal exporter, Banpu Plc, will spend close to US\$500 million (16.1 billion baht) by 2020 to acquire five shale gas production sites in the US. This move is in line with its strategy to acquire cash-generating assets.

Banpu started expanding its business upstream in 2016 and has acquired \$320 million (10.3 billion baht) worth of shale gas assets since then. Some of these assets are located in the Northeast Marcellus shale gas plate of Pennsylvania.

Banpu chief executive Somruedee Chaimongkol said the acquisitions will give the company nearly 80% of the working interest in 112 wells with a net production interest of 100 million cubic feet per day.

The shale gas sites acquired have proven reserves of 414 billion cubic feet spread over 32,350 acres, which will bolster Banpu's position as a major player in the Marcellus shale area.

In April 2016, Banpu acquired a 29.4% stake in the Chaffee Corners Joint Exploration Agreement (JEA). Its net interest in

the Chaffee Corners JEA is equivalent to proven reserves of 156 billion cubic feet of dry natural gas.

The company's gas sales volume stands at a combined 46 million British Thermal Units (BTU) per day, and is expected to increase to 78 million BTU by 2020. The majority of production serves US domestic demand, she said.

PTTEP, the only SET-listed upstream petroleum firm, is still focused on oil and gas resources in Thailand and Asia because



Phongsthorn: Still focused on Asia



Somruedee: Keen on US shale gas

these sites make it easier and cheaper to supply oil and gas to Thailand.

PTTEP president Phongsthorn Thavisin said last month the company is reviewing its business plan for five petroleum exploration resources it acquired over the last decade, comprising Rovuma Area 1 in Mozambique, the Hassi Bir Rekaiz project in Algeria, Cash and Maple in Australia, M3 in Myanmar and an oil sands project in Canada.

Most of these are in the exploration stage, while some are near the final investment decision.

"The five assets have no problems, but we may need to reconsider them because there were some factors beyond our control that caused the company to delay its final decision several times," Mr Phongsthorn said.

From 2013 to 2014 PTTEP expressed an interest in investing in shale oil and shale gas in North America, but it scrapped the plan as soon as global oil prices collapsed in 2014, falling to \$40 per barrel from \$110 in 2013.

No new decisions have been made on shale oil and shale gas investment yet, he said.

Instead, PTTEP is focusing on the Bongkot and Erawan gas blocks in the Gulf of Thailand and plans to join existing stakeholders Shell and Total in bidding for new licences at upcoming auctions.

The concessions for the two gas blocks are scheduled to end between 2022 and 2023, and policymakers plan to auction them to oil drilling firms during the first quarter of this year. The terms of reference for the auction of the two gas blocks will be released this quarter.

PTT Global Chemical Plc (PTTGC), the petrochemical arm of PTT, is considering developing a world-scale petrochemical complex that will include an ethane cracker whose feed stock is oil and gas from shale oil and shale gas.

The \$4.5-billion (145-billion-baht) project will be located in Mead Township along the Ohio River in Belmont County on the Marcellus and Utica shale region.

PTTGC America, a wholly-owned subsidiary of PTTGC, is conducting a detailed front-end engineering design for the site.

A final investment decision on the project will be made in the first quarter of this year.



**PTTEP's Bongkot
offshore gas block
in the Gulf of
Thailand.**

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