

# CHINA

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### NEWS THIS WEEK...

## Bureaucratic bog

PetroChina's joint venture with Pertamina to develop an onshore block in Indonesia has been waiting three years for local development approval. This is seen as yet another example of the bureaucracy that Jakarta must tackle in order to revitalise its struggling oil sector.

- **Despite the lack of a well drilling licence, upstream watchdog BPMigas expects production to reach 60,00 bpd in three years.** *(Page 2)*

## Liwan limelight

Husky Energy has awarded WorleyParsons the FEED contract for the Liwan gas field. Liwan is thought to be China's largest offshore gas field and, as such, the award has drawn much interest from other companies keen to see if it opens up a new deepwater frontier. *(Page 3)*

## Singapore pursuit

PetroChina has agreed to pay more than US\$1 billion dollars for Keppel's 45% stake in Singapore Petroleum Co. *(Page 6)*

**For analysis and commentary on these and other stories, plus the latest oil and gas developments, see inside...**

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## NEWS IN BRIEF

China has enjoyed oil production growth for seven straight years, and its natural gas output has maintained double-digit growth for six consecutive years, Zhou added.

CNPC, parent of PetroChina, has been seeking overseas assets for securing domestic demand as of late. By the end of 2008, the oil firm carried oil and gas assets in 29 countries, involving 75 ongoing projects, which contributed more than 30 million tonnes of oil and 4.6 billion cubic meters of natural gas to CNPC.

*XINHUA, May 25, 2009*

### PetroChina Tarim Oilfield plans to reduce investments in 2009

PetroChina Tarim Oilfield, a regional company of PetroChina in Xinjiang, plans an investment of 5.9 billion yuan for the whole year of 2009, a reduction of 4.636 billion yuan or 44% from last year, according to local government.

Affected by global financial crisis and plunging oil price, PetroChina Tarim Oilfield has taken measures on limiting production this year.

*XINHUA, May 25, 2009*

### CNPC shakes up urban gas market

China's urban gas market, long occupied by such operators as Towngas, China Gas, Xin'ao Gas and China Resources Gas, is facing a reshuffle with the participation of CNPC, China's largest natural gas producer, fresh to the urban gas business.

The state-run oil giant has prepared itself for the march in. Kunlun Towngas, a unit established in Aug. 2008 under the CNPC flagship, is the company set to take advantage of its parent's natural gas supplies for competing with other players.

It has acquired urban gas assets from CNPC's China Huayou Group Corporation, China Petroleum Pipeline Bureau, Sichuan Petroleum Bureau, CNPC Jilin Petroleum and CNPC

Shenzhen Industrial Company, including 100 urban gas projects in 23 cities.

In April, CNPC Pipeline Bureau listed a 100% stake of its CNPC Natural Gas Pipeline Towngas Investment Co., Ltd. for sale in the Beijing Equity Exchange market. Also, assets held by Huayou Group, including six urban gas companies, the 35% equity in Changsha Xinneng Auto-use Gas Co., Ltd and the 43.55% equity in Hunan Huayou Natural Gas Distribution Co., Ltd., also appeared on the to-be-sold checklist.

The market assumed that the secretive buyer must be Kunlun Towngas.

*XINHUA, May 25, 2009*

### HSG signs shale gas MoU with PetroChina

Dallas-based Harding Shelton Group (HSG), a team of US experts in shale gas development, co-hosted with Yangtze University an unprecedented sharing of technology in a two-day symposium organised by PetroChina and the Chinese Petroleum Society. Culminating the conference was the signing of documents that set up the structure through which PetroChina, HSG and the university will evaluate the shale gas potential in China. "The opportunity to produce shale gas in China is similar to what has taken place in the US in highly productive areas like the Barnett Shale. Collaborative efforts with China can address the challenge of demand for new energy sources through this technology exchange," said John Shelton, HSG Chairman. HSG, through Harding Shelton Energy Consulting (Beijing) Limited, signed a Memorandum of Understanding with PetroChina's Research Institute for Petroleum Exploration and Development in Langfang (RIPED-Langfang) for evaluating shale gas as a new energy resource for the coal-dependent country. The collaborative effort will also include studying drilling technologies that would be unique to the various basins of China. HSG and PetroChina will be working with the energy laboratories at Yangtze. HSG also signed a Collaboration Agreement with Yangtze University to establish the "Yangtze University

Harding Shelton Shale Gas Research Center". "Working with RIPED-Langfang and Yangtze University, HSG sees great potential to further define shale gas development opportunities for China" said Michael D. Burnaman, HSG President.

*HSG, May 20, 2009*

### Sinopec set to launch gas unit

Sinopec is set to launch a natural gas subsidiary, according to local media reports. The market thinks that the subsidiary will act as a platform for Sinopec to develop its town gas (a kind of gas distribution network focussed on one town) and LNG business in the future and may assume overlapping operations from a previous gas branch subsidiary set up by the company in 2005. The 2005 subsidiary was engaged in the construction of natural gas projects, transportation, and sales. Significance: High forecast growth in domestic gas demand coupled with expectations of natural gas price rises and the aggressive expansion of CNPC-controlled Kunlun Petroleum Gas in the distribution sector may have prompted Sinopec's move (see China: 18 May 2009: ). Indeed, Kunlun Petroleum Gas has seen its natural gas sales rise 36% over the past year and has signed over 55 deals with local governments that promise to expand its market share over small- and medium-sized distributors.

*GLOBAL INSIGHT, May 26, 2009*

### Terrawest unearths CBM reserves

Petromin Resources Ltd. reports that its 80% owned subsidiary, Terrawest Energy Corp. has discovered a significant gas-bearing shale and multiple coal seams in its LHG 08-03 well which was drilled in November 2008. TWE holds a 47% interest in a production-sharing contract with China United Coalbed Methane Corp. Ltd. The project, called Liuhuanggou, is located in Xinjiang province and the PSC is located adjacent to the capital city of Urumqi. ►►