

Myanmar hands out frontier tickets

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MYANMAR'S (Burma's) energy sector, previously off limits to most Western companies because of international sanctions, is poised to enter a new era following the award of 20 offshore exploration blocks, many in frontier waters.

The long-awaited round, which offered access to some of the least understood, but most keenly sought-after natural gasfields in Asia, marks a turning point for the nation.

Myanmar's proved reserves of natural gas at around 7.8 trillion cubic feet (cf), according to BP's *statistical review of world energy 2013*, pale in comparison to its southeast Asian neighbours.

But the government estimates far more gas lies under the seabed. Explorers are banking on it too.

Gas reserves

Some calculations put the potential gas resource close to 30 trillion cf – equivalent to roughly two-thirds of major liquefied natural gas exporter Malaysia's proved reserves.

Although modest by global standards – Australia, for example, has more than 130 trillion cf of proved reserves – Myanmar's gas potential has generated significant interest. It does not hurt that the nation is strategically positioned between energy-hungry China and India, and is seen as an important source of supply for their rising needs.

Development is attractive too, with local gas prices fetching around \$6 per thousand cubic feet or around \$10-11/'000 cf delivered to the Thai border.

The latest awards, the first offshore, capped months of anticipation and marks the most significant expansion of the country's energy market since reformist president Thein Sein took office three years ago.

Of the 20 blocks handed out, 10 are deep water and 10 are shallow water.

Most blocks were awarded to consortia, seeking to share the risks associated with the little-understood geology, but included the likes of BG Group, Woodside Petroleum, Chevron, Shell, Statoil, Total, Eni, as well as regional players Reliance



New era: Myanmar's reserves have previously been off-limits

Industries and Oil India, plus independents such as Ophir Energy.

Chevron, which is a partner in Total's producing Yadana gas field, snared its first operated acreage with the award of shallow-water Block A-5 in the Rakhine (Arakan) basin.

India's Reliance took two shallow water blocks, while the pairing of BG Group and Woodside picked up four blocks – two shallow-water and two in deep water – and will operate two a piece. BG is operating shallow-water Block A-4 and deep-water Block AD-2, while Woodside is at the helm on shallow-water Block A-7 and deep-water

Block AD-5. The pair has committed to shooting 3-D seismic in all four blocks, which they plan to start later this year.

Woodside's entry into the blocks builds on its existing position in the Rakhine basin through participating interests in production sharing contracts (PSCs) for Blocks A-6 with MPRL E&P and AD-7 with Daewoo International.

In Myanmar's frontier deep waters, which have been geologically likened to some prolific East African plays, Shell and joint-venture partner Moeco (Mitsui) of Japan won three blocks – AD-9 and AD-11 in the Rakhine basin and MD-5 in the

Table 1: Offshore blocks

Shallow-water blocks:

Company	Block
BG Group and Woodside Energy	A-4 and A-7
Chevron	A-5
Oil India Limited, Mercator Petroleum Ltd and Oilmax Energy	M-4 and YEB
ROC Oil Co and Tap Oil Limited	M-7
Berlanga Holding	M-8
Transcontinental Group	M-15
Reliance Industries	M-17 and M-18

Deep-water blocks:

Company	Block
BG Group and Woodside Energy	AD-2 and AD-5
Ophir Energy	AD-3
Shell and Moeco	AD-9, AD-11 and MD-5
Statoil and ConocoPhillips	AD-10 (Bay of Bengal)
Eni	MD-2 and MD-4
Total	YWB (Gulf of Martaban)

Source: Gadens

Thanintharyi basin. Ophir Energy, which is traditionally African-focused, has been awarded deep-water Block AD-3.

The 10,000 square kms tranche lies in the Rakhine basin, on trend with Daewoo International's producing multi-trillion cf Shwe gas field.

The initial exploration period will see Ophir reprocess existing 2D seismic and shoot 3D seismic data.

Norwegian national oil company Statoil is making its debut in Myanmar with partner ConocoPhillips, which has geological knowledge of the Bay of Bengal in neighboring Bangladesh.

The pair bagged Block AD-10, which covers some 9,000 square kms in water over 2,000 metres deep. Statoil said it is a large and virtually unexplored area in a basin with a proven petroleum system and thick sedimentary deposits, adding that it offers a long-term opportunity with high subsurface risk, but great potential.

Italy's Eni also won deep-water Blocks MD-2 and MD-4, while France's Total netted deep-water Block YWB. But for the latest winners, there are still tough negotiations over the PSCs ahead.

Contract delays

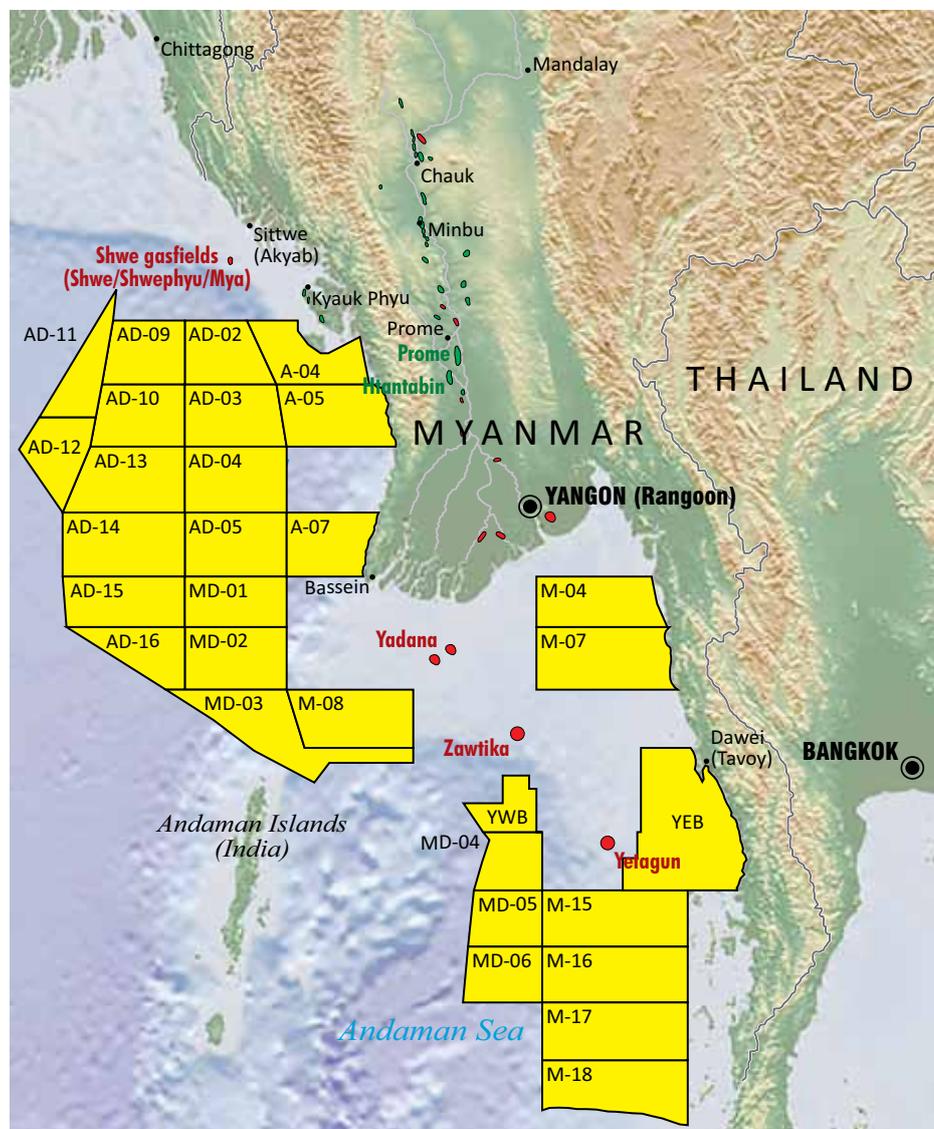
Explorers awarded onshore blocks last year in a previous round of bidding are yet to sign final contracts with the government.

The PSCs, compared to those in the region, by and large, are balanced and contain terms and conditions you would expect to see in other regional jurisdictions, says Marc Rathbone, managing partner of legal firm Gadens based in Singapore, who specialises in energy and resources.

But some of the biggest challenges will be the implementation of the law particularly the interaction of the oil and gas law and foreign investment law, as the government is still on a steep learning curve in terms of dealing with this amount of offshore activity, and this is likely to become more apparent with the management and approvals process, Rathbone told *Petroleum Economist*.

Logistically there will be challenges too. As the explorers prepare to probe Myanmar's potentially rich waters, they have triggered a scramble for

Figure 1: Myanmar offshore blocks



Source: Petroleum Economist

support services. For Chevron, Total, and Thailand's PTT Exploration and Production, who already own producing fields off Myanmar, getting quality support services under Western sanctions was tricky, not to mention costly.

But after sanctions were suspended from 2012 the market has opened up to foreign knowhow. This means big business for foreign operators, such as the Halliburtons, Schlumbergers and Weatherfords of the world, which are seeking local tie-ups.

In the wake of decades of

sanctions, most local support service companies lack modern technology. "We only have a limited number of local players," Ken Tun, chief executive of Yangon-based Parami Energy Group told Japanese publication the *Nikkei Report*.

When his company started doing logistics work in 2009, Tun says, the local procurement market totaled about \$300 million. Now it's a multi-billion dollar market, he adds.

Foreign investment in Myanmar's oil and gas sector hit more than \$14 billion for the year ending March 2014. ●