

# A Lucky Charm in Southeast Asia

Is Malaysia the place to be for the oil and gas industry? The management of Talisman Energy thinks so. Germanischer Lloyd supports the company with engineering services

Jonathan Wright is ambitious. “We call Southeast Asia the ‘Third Leg of the Stool’ and it is the third largest operating area of Talisman. So of course our goal is to make it the largest.” The VP of Talisman Energy’s Southeast Asia operations heads more than 600 people in the Kuala Lumpur area. “A little friendly competition never hurts,” he says of the growth aspirations of the Talisman Southeast Asia teams. It seems he has a sound basis for his optimism: in Malaysia, Talisman produces roughly 80,000 barrels a day from their own operations. After the share of partners Petronas and PetroVietnam, Talisman’s net is about half of that.

“In the region, Malaysia represents our biggest short term production increase. We have a production growth of 30+ per cent planned in the next year and a half,” Wright explained at a meeting in May. “We are currently building and installing the four platforms that are going to obtain that growth.” They are for the Bunga Orkid Project in the Northern Fields, east of West Malaysia, “You are just catching us in the middle of a project,” Jonathan Wright said. All wellhead platforms have been installed and two drilling rigs are currently active on the initial 52 development wells. Gas was scheduled to come on stream in the middle of this year and in July Talisman announced that this had been achieved. Full field-development oil production is to commence in the first quarter 2009.



**STRATEGIST.** Jonathan Wright is Vice President of Talisman Malaysia Limited. The mechanical engineer has been with Talisman since 1995. The Canadian national has been in Malaysia for almost two years.



**LOCATION.** A Talisman project in the South China Sea.

the region. The oil and gas fields in that region are not as mature as in other parts of the world. In turn, many resources are yet to be found. Countries are eager to attract foreign investment and also seek foreign technology and technical capability to access these resources. Foreign companies are required to partner with government entities to share investments, learning and profits. “We are continually looking at ways to access business opportunities,” says Jonathan Wright explaining Talisman’s strategy. “Our typical history is we will bid for new exploration land, we will swap properties, we will acquire properties for cash. As long as the base opportunity of oil and gas prospect looks material enough and looks to be a good technical and financial prospect it is worth looking at.”

In Malaysia, petroleum is the main mineral resource. Petroleum and natural gas discoveries in oil fields off Sabah, Sarawak and Terengganu have contributed much to the Malaysian economy. On 1 January 2007, Petronas reported that oil and gas reserves in Malaysia amounted to 20.18 billion barrels of oil equivalent. The government estimates that at current production rates Malaysia will be able to produce oil for up to 18 years and gas for 35 years.

On a thin strip of waters half way from Malaysia to Vietnam, oil and gas exploration is operated jointly by both countries. “Vietnam and Malaysia were able to agree →

## Asia’s Appeal

Southeast Asia is undergoing an unprecedented period of growth caused by urbanization, industrialization, and increasing population. As a result, primary energy demand growth has been ten per cent per annum in recent years with typical GDP growth of five to seven per cent across

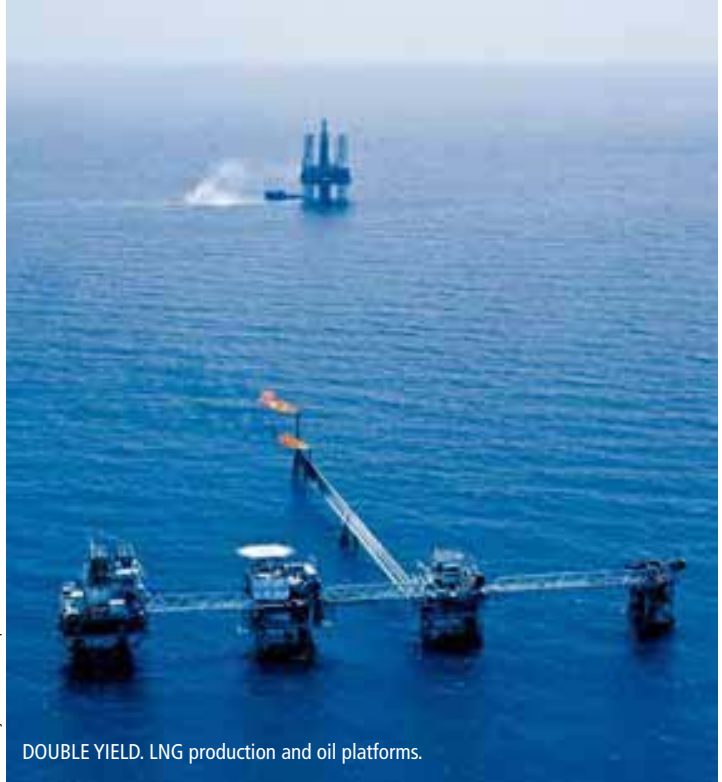
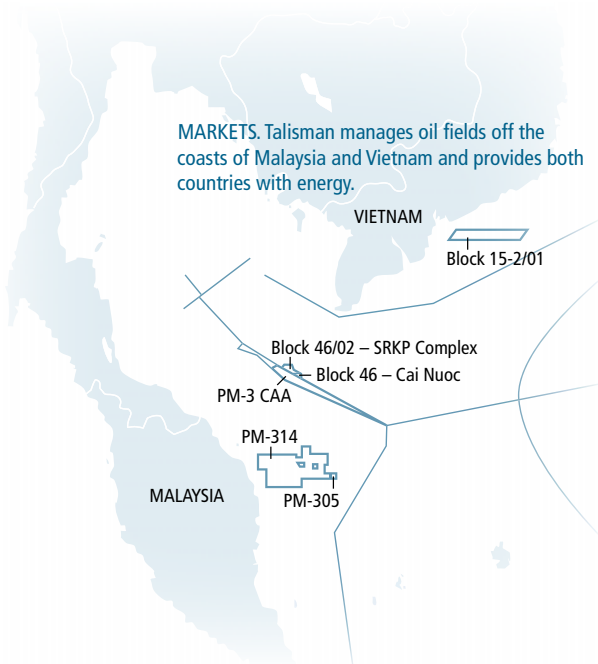


Photo: Mayumi Terao/Stockphoto

**DOUBLE YIELD.** LNG production and oil platforms.

→ on a split at the border and that is why we partner with both Petrovietnam and Petronas,” Wright describes his operating scenario.

In the PM-3 Commercial Arrangement Area, the Northern Fields are fairly new. Talisman has been developing the Southern Fields complex and producing since 2003. “Talisman supplies energy to both countries.” Oil is exported via a floating storage tanker and gas is sold equally between the large markets on Peninsular Malaysia and the new power plant complex at Cau Mau in Vietnam.

**A Long History**

In the recent development of the Northern Field, Talisman has been contracting Germanischer Lloyd for certification. But cooperation goes back even further. “We have a long history with GL,” says Wright. Talisman bought the assets of Lundin Malaysia, a Swedish-Malaysian company. Germanischer Lloyd had already been working for them since 2001 from their office in Kuala Lumpur, head office for the oil and gas business in the Asia-Pacific region.

How do they benefit from Germanischer Lloyd’s expertise? “They are ‘eyes on the ground’ for us. GL helps us on site, catching things early and ensuring personnel are following procedures,” says Wright. The certification body has provided certification, design review and examined the engineering process. The work is about compliance with standards in the design phase, monitoring manufacture of new installations and taking material samples. Also deliveries are checked against the order lists. “We have peace of mind,” Wright summarizes.

**Vietnam Ventures**

What about Vietnam? “Small production with a very, very big future!” says Wright. The main prospects are oil, he is convinced, but gas can be explored as well. “Our Vietnamese operation is our smallest one, but the fastest growing in this region. Production is about to begin, at a field called Song Doc.” Here, Talisman will be working in partnership with PetroVietnam under the joint operating companies Thang Long and Truong Son. In January, the company successfully tested the Hai Su Den exploration well offshore Vietnam. The result: the second oil discovery, after Hai Su Trang in 2007. Recognizing the tremendous opportunities in Vietnam in exploration, development, and cooperation

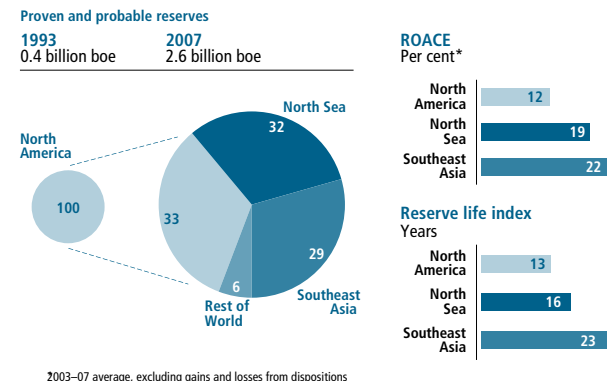
the country will remain a key location in Talisman’s global growth strategy.

From the office in Jakarta, Talisman runs some operating and largely non-operated production. Much of it is land-based. “But we have some good deep-water drilling leases in Indonesia. Deep-water exploration starts next year, so we have good prospects for exploration opportunities there. It’s higher risk but high impact,” Wright is confident. In the so-called Corridor Block on the island of Sumatra, Talisman has a huge gas field still being drilled in partnership with operator ConocoPhillips. Talisman also signed a memorandum of understanding with Pertamina, the national oil company, which provides the opportunity to evaluate and participate in two enhanced oil recovery projects. The investment is rather long-term. “It probably takes five to seven years to develop new ideas, redevelop, and actually bring the structures into production.” Talisman estimates that roughly 75 per cent of yet to be found resources in Asia sit in the extensive under-explored basins of the Indonesian archipelago.

**Floating LNG**

But also areas less in the focus of international politics are of interest to Talisman: “Papua New Guinea has a reasonable amount of oil and gas but has difficulties monetizing it. It’s not a large market,” Wright characterizes the difficulties in exploring their natural gas acreage. Previous

**PERSPECTIVES.** Southeast Asia has become an important part of Talisman’s oil and gas business – and offers bright prospects.



attempts by the industry to build a pipeline to Australia were not successful and were cancelled. Jonathan Wright now wants to put a new technology to the test. “We started looking at ‘Floating LNG’. It is an emerging technology that we think is going to work in this market.”

In this concept, existing LNG production technology is combined with that used by floating, production, storage and offloading (FPSO) vessels: “You take an LNG tanker and put it on permanent station. On its deck you install all the equipment, but much smaller than you would onshore, to actually liquefy the gas processed offshore,” Wright says. The benefit is clear: this flexible plant is used for offshore gas fields that are either too small or too remote to be developed economically on their own. With floating LNG, these “stranded” gas reserves may become accessible. The largest savings will be realized through reduced investments in related infrastructure.

The future is almost present: “Technology didn’t exist but has been coming along well so that now it is close on the horizon,” Wright explains. “We think it is a combination of energy demand, pricing and technology that might be able to work for us. We’re working hard to make that happen for floating LNG.”

#### Adding Accountability

Talisman has recognized that a demonstrated ability to conduct operations in a safe and environmentally responsible way has direct bearing on its people, reputation and business success. “We do a number of things in all areas,” Wright underlines the high standards. The concept is continuous improvement.

Wright says that the element of corporate responsibility (CR) has always been an important ingredient in the way Talisman runs its business. In addition to its declared Corporate Social Responsibility programme and health, safety and environment management systems, the company adheres to the different governmental regulations. The targets and focus vary by area due to the diversity of operating environments. “For example, in Canada we have a very stringent minimal flaring policy, whereas in the North Sea we have shown good leadership in minimizing trace oil in water discharge.”

Talisman has also dedicated itself to developing a new generation of local oil and gas industry professionals. “We couldn’t do things without our people.” The challenge is to find these technical people to undertake the planned growth. In Malaysia, Talisman develops junior professionals in a training & new graduate programme. “We have an active new graduate hiring programme, a university scholarship programme and a strong on-the-job training and career-development programme. It’s good for Malaysia and it’s good for us.” The company also sends Malaysian staff overseas to gain experience. Talisman has to meet the challenge of all business-to-business companies: with no downstream business, the company has not been a household name in Malaysia. Attracting the attention of students needs heightened efforts.

The company supports charitable social and environmental initiatives of their employees in addition to company-led initiatives. They contributed to victims of a local flood and funded bird watching activities. In addition, Talisman is a participant in the world’s largest corporate citizenship initiative, UN Global Compact.

Today, Southeast Asia already accounts for nearly 25 per cent of Talisman’s total production. Producing rough-



TRANSPORT. A Talisman topside being transported to its destination, the PM-3 project between Malaysia and Vietnam.

ly 91,000 boe/d in the second quarter of 2008, Indonesia takes the lion’s share of the net results. Operations in Malaysia and Vietnam follow. Besides those existing operating properties for oil & gas production, Jonathan Wright is eager to search for more: “We are looking in any country or region where we think we can apply our skills and have good growth at reasonable returns.” Which area is he looking at? “Here in KL, we are very focused on finding another opportunity beyond the Northern Fields to continue growing within Malaysia. Beyond that we are always interested in opportunities in Vietnam, Indonesia, and points beyond in Southeast Asia.”

#### Largest Growth Area

In the entire region, Talisman is in various stages of business development. “In some countries we are just looking, in some we have acquired new blocks, and in others we are already planning the drilling.” Jonathan Wright is confident about the future: “It’s a big region and that is why we are here. But overall, if you look at the 5- to 10-year frame, Southeast Asia, being the third largest area for Talisman, is currently the fastest growing. We like it!” ■ SNB



Talisman Energy is an oil and gas exploration and production company originating in Calgary, / Canada. Besides North America, the North Sea (UK and Norway) and Southeast Asia are their main operation areas. In Canada, Talisman operations are mostly land-based, but most international operations are offshore. Established in 1992, production has grown from 50,000 boe/d to 452,000 boe/d in 2007. Talisman produces both oil (54 per cent) and natural gas (46 per cent). In the past, the company has grown mainly as a result of mergers and acquisitions, and as such has a complex history and large diversity of holdings. Talisman is listed on the Toronto and New York stock exchanges. [www.talisman-energy.com](http://www.talisman-energy.com)