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ABSTRACT

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CONTRACTUAL TERMS IN SOUTHEAST ASIA: THE CASE FOR NEW FRAMEWORKS.

When I started my career 25 years ago, Southeast Asia was a hotbed of international exploration activity. With the still relatively recent opening of the former Soviet Union, the Eastern Block, and countries like Myanmar, Vietnam, and Angola, the deepwater frontiers, and more recently the Middle East, Southeast Asia has moved from center stage. Exploration activity in the region is not nearly as robust as many governments would like. What will it take to attract more capital and technology? How will the nations in this region compete in the global marketplace of the future?

The decades of the 1980s and 90s brought the realization that exploration has become more difficult. The basins of this planet matured more than many of us expected. Prospectivity is not what was expected or hoped for. Negotiations and bidding during these two decades, based on overoptimistic expectations, have created a universe of fiscal terms that are extremely tough. Terms have improved modestly over the years for oil companies, but relative to current prospectivity, terms are tougher than ever. The balance between risk and reward is such that most exploration efforts lose money—not a good balance. Competition for projects and acreage has made it extremely difficult to find good terms. Acreage has taken on more of the characteristics of a commodity yet many governments are using stone-age marketing and allocation strategies. There is plenty of room for improvements that can benefit both governments and oil companies..