

Proactive Asset Management of Kakap PSC, Indonesia: Message For Small Non-operators

*Presented by Gaz Bisht, Senior Staff Geophysicist, Novus Petroleum Limited
(NSW Branch Luncheon Meeting, July 13th, 1999)*

The talk presented a blueprint for small non-operating companies for creating a 'win-win' situation by working closely with the operator. The speaker shared his personal as well as his company's experiences in creating growth opportunities in an existing Production Sharing Contract (PSC) area.

Kakap PSC, located 450 km NE of Singapore in Indonesian waters, was awarded in 1975 and operated by Marathon until 1995. Novus purchased the interest in the Kakap block in 1995 as a part of an asset float. At that time, two fields were in production, one field was about to come on line and one was being developed. The total production was 12,000 bopd.

Although Kakap had an enviable exploration success rate of 70% (12 discoveries in 17 exploration wells), Marathon failed to maximise the return in the 20 years of their operatorship. One example of this was the promising exploration success achieved in the very first well (KG field discovery in 1978), yet Marathon only brought the field into production 17 years later. The fact that the complete sedimentary section was drilled after 17 years, resulting in discovery of KRA field, further underpins the statement.

The exploration track record and the analysis

convinced Novus that there remained some growth opportunity in Kakap.

Pro-active role

To help change the operator's view on the exploration potential, Novus formed a six month study group in 1995 with Discovery Petroleum (one of the co-venturers in the PSC) to conduct a sequence stratigraphic analysis of the block. However, in the middle of the project, Marathon decided to pull out of the block. Novus helped set up a data room and made presentations to the buyers in their Sydney office on behalf of Marathon. In the process, Novus increased its interest from 18.75 % to 25%.

Clyde Petroleum, an active UK-based company, took over the operatorship in early 1996. Although the Novus-Discovery study report helped the new operator through the steep learning curve, the ongoing development of the KRA field started proving a challenge, as the results of new development wells were surprising.

The author assumed a pro-active role and provided a 'Coherence processing' of the 3D cube over the KRA field to help map the fault pattern in the field. In addition, the author was seconded to work with the

Clyde team to map an infill location and an exploration prospect. The exploration well was a discovery.

Subsequently, additional 3D data were acquired in the block to help unlock the hydrocarbon potential. However, Gulf Indonesia Resources Limited took over Clyde. The author was again seconded to the new operator (Gulf) for six months in order to keep the momentum going.

This pro-active association with three different operators in the past four years has resulted in six new discoveries in eight exploration wells.

Message

The author concluded that the non-operators have tremendous advantages, as they are not required to carry out the day-to-day operations such as JV correspondence and government interaction. This advantage could well be used to carry out 'value added work' and contribute in the efforts of the operator in realising the full potential of a block. Whilst the non-operators should generate new ideas in their offices, they should also develop the idea into a project in the operator's office by working closely with the operator's team.