

Business

Oil exploration ventures in Bangladesh-updated

By Dr Badrul Imam

Bangladesh has concluded a three day Round Table Conference in mid September in Houston, USA, on "Petroleum Investment" with a primary aim of expediting the present efforts of the government to attract foreign oil companies to invest for petroleum exploration in the country. The World Bank sponsored conference was hosted by the Ministry of Petroleum and Mineral Resources and the Petrobangla and was attended by 70 executives from 38 international oil companies. In their key note speeches the Petroleum Minister Dr. Khandaker Mosharraf Hossain and the Chairman, Petrobangla S K M Abdullah, who led a group of officials and geoscientists to the conference, out-

(see figure). 22 blocks are open for bidding at present, of which 16 are offshore blocks and six are onshore blocks. The only block that is not open is the onshore block no. 13 for which a Production Sharing Contract was signed in a controversial way with Scimitar oil company in 1987. The contract was subsequently terminated following breach of contract and serious fraud by Scimitar oil company. The block 13 containing the Haripur oil field has remained disputed as for its petroleum right status after Scimitar filed a case against Bangladesh government to the Arbitration Council in Washington for compensation. It is expected that the case will be settled by

countries like India, Pakistan and Myanmar where in an average 60, 30 and 20 exploration wells are drilled per year, not to mention of the developed nations world wide. The last formal opening of the acreages in Bangladesh onshore and offshore areas took place in June 1988 under the Petroleum Exploration Promotional Project (PEPP) through seminars held in Houston, London and Dhaka along with international advertisements, much to the credit of the "Exploration Consultant" — an UK based consulting firm which was given the responsibility of arranging the meetings and showing up the good-ies about the oil exploration facilities without the existence of a sound exploration policy of

government showed little promise for foreign oil companies to enter into exploration venture in this country. The political stability after

Memorandum of Understanding with the six oil companies is the result of the above negotiations. These companies have shown their

Chittagong Hill Tracts seemed particularly interesting, a company geologist who has had several geological field traverses in the Hill Tract area during his reconnaissance survey, opined that the geological evolution of Chittagong Hill Tracts over the last 20 to 35 million years appears to be similar to that of the Pannonian Basin in Rumania where significant oil pools are trapped in sedimentary sequences not unlike the ones in the Chittagong Hill Tracts.

The geological evidences of these region showed that very deep ocean basin covered the area in geological past when good petroleum source rocks were supposed to have been deposited in the deep ocean beds. These so called turbidity

million years and the development of petroleum source rock have had a different set up compared to the one in the south. Paraffinic oil discovered in Haripur have similar characteristics to the Assam oil and testifies the analogous geologic scenario between the two provinces.

Discovery of oil horizons in Fenchuganj well and Kailashtila well, not far from Haripur oil discovery, conclusively points to the idea that in the Sylhet basin area large scale oil generation and entrapment have taken place. As one Petrobangla geologist pointed out, keeping the Sylhet area out of the acreage opening map would have been a good idea, for we are confident that further oil discovery could be

a French company is interested in block 9, 10 and 15, an area to the south eastern part of the country. The companies that have shown exploration interest in the offshore Bay of Bengal are Holland Sea Search of Netherlands and the Cairn Energy of Scotland — who are showing interest in joint exploration venture in block 16, off the Chittagong coast.

During the next six months further negotiations between the above six companies and the Petrobangla are expected to reach a stage whereby the two parties could sign Production Sharing Contract, thus breaking the lull in exploration activities in the country that have been existing since the last major oil exploration

The present rate of exploration drilling in Bangladesh is less than one well per year with the last exploration drilling taken place at Patharia during the period 1989 to 1992. The present sluggish rate of exploration drilling is by no means comparable to those of neighbouring countries like India, Pakistan and Myanmar where on an average 60, 30 and 20 exploration wells are drilled per year, not to mention of the developed nations world wide.

lined the essence of the newly formulated liberal petroleum policy offering foreign oil explorers specific incentives including the elimination of signature bonus, exemption from import duties of exploration, development and production equipments, no corporate tax liability and guarantee for the repatriation of profits.

The Round Table Conference was followed by signing of preliminary "Memorandum of Understanding" (MOU) with six oil companies with whom Bangladesh expects to sign Production Sharing Contracts (PSC) within the next six months. The six companies are Total Exploration (France), United Meridian International (USA), Cairn Energy (Scotland), Holland Sea Search (Netherlands) and Mackenzie International (USA).

Bangladesh is offering an acreage map with 23 blocks encompassing the whole of the country for competitive bidding for exploration rights from foreign oil companies

the end of this year paving the way for the block to be opened.

The holding of the Round Table Conference was probably a step Bangladesh could not do without at a moment when the country looks desperately for foreign investment in petroleum exploration sector. The recent declaration of the Prime Minister for providing fund for drilling one exploratory well per year by the national oil company, although a little embarrassing for serious petroleum explorers, clearly indicates the constraint of national resources to sustain a serious exploration programme. The present rate of exploration drilling in Bangladesh is less than one well per year with the last exploration drilling taken place at Patharia during the period 1989 to 1992. The drilling of Patharia well for a long three years could be a topic of a separate story, but the present, sluggish rate of exploration drilling is by no means comparable to those of neighbouring

the country. During the 1988 acreage opening 19 blocks including 6 offshore blocks were shown open for bidding. The response of the foreign oil companies to the above was too poor and hardly any company came for a serious negotiation. This was rather embarrassing for the government as there were too much drum bitings about the petroleum promotions at that time. The reason why Bangladesh failed to attract foreign oil companies at a time when neighbouring India, Pakistan and Myanmar signed Production Sharing Contracts with several international oil companies, is a matter which merits analyses, but bureaucratic red tapes, poor and inefficient liaison procedures must have their roles. Furthermore, the government with an ambiguous oil company-Scimitar Exploration Ltd, must have influenced any new negotiation if not jeopardized it. The political turmoil during the last years of Ershad

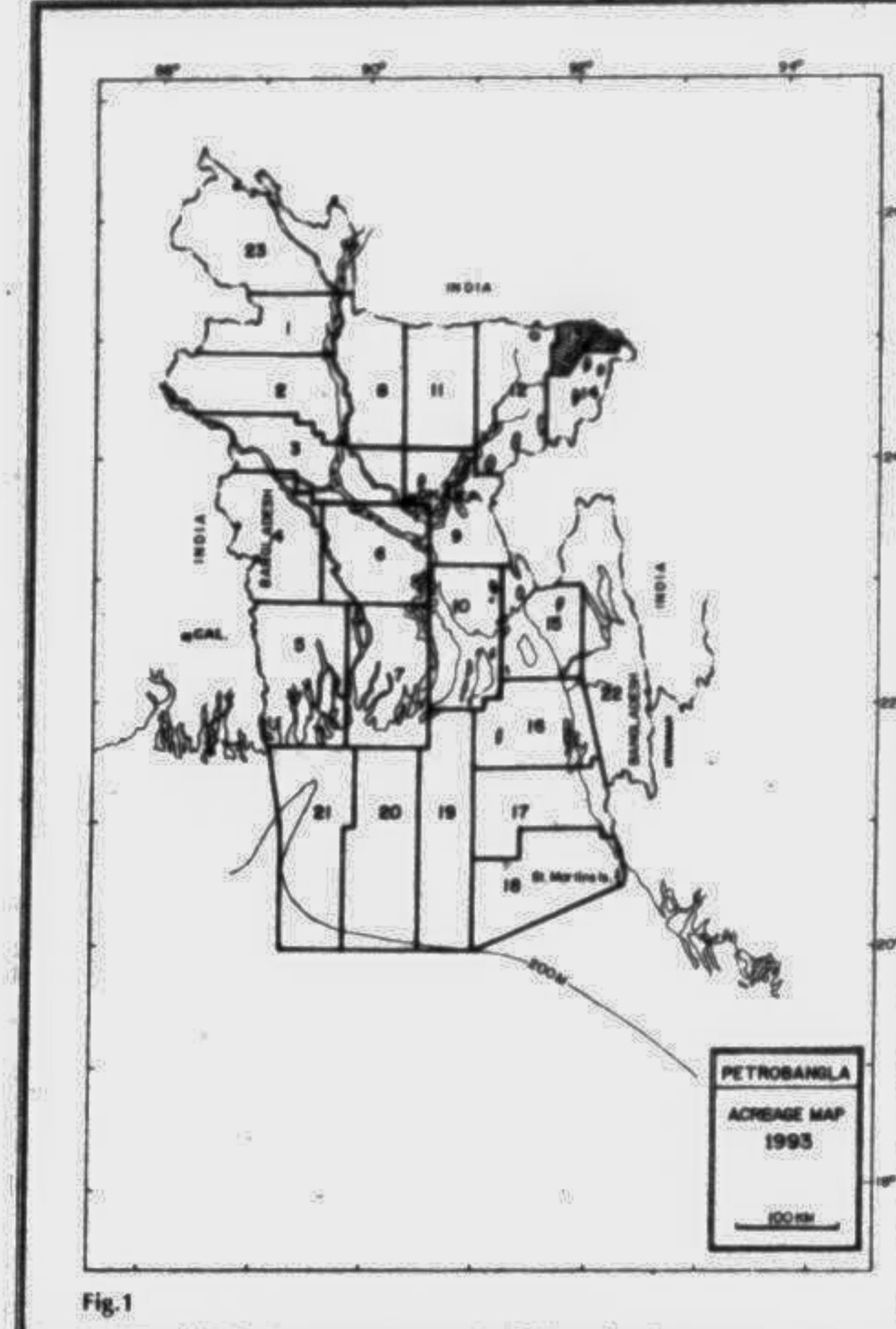


Fig.1
the 1990 election brings with it new interests for foreign investors. Over the last two years

interests in specific areas and blocks for specific reasons based on their reconnaissance

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good numbers of internationally reputed oil companies have had their representatives moving back and forth between Dhaka and respective headquarters with minutes of meetings and draft proposals with Petrobangla and Ministry officials. The signing of the

studies and analyses of existing data.

The United Meridian International Corporation — an US based company has shown their interest in block 22 which include the entire Chittagong Hill Tract area. When asked what aspect of the

sequence were later uplifted into the present hill range system thus forming excellent anticlinal traps for petroleum accumulation. Still a hypothesis, the above understandings have enough merits for launching an exploration programme in the area. The area to the north i.e. in the Sylhet basin has always been considered to be the most promising in Bangladesh considering the discoveries made so far. The Occidental Oil company of USA has shown its interest in blocks 12, 13 and

made in this area by national oil company. After all, Haripur oil was discovered by the national oil company and not by the foreigners.

The western part of the country has seen much less exploration activities compared to the east for obvious geologic reasons. The potential petroleum traps in the eastern areas are obvious whereas in the west the potential traps are more subtle and concealed, thus apparently difficult to identify. However late technological advances, specially seismic coverages could successfully eliminate the above difficulties. The Bogra Shelf area — a geo tectonic unit shows particular promise for petroleum exploration specially after the recovery of oil stained core samples from Bogra and Kuchma wells. This is the area of block two and three where Mackenzie International Company has sowed its interest. The Total Exploration and Production —

venture in the Bay of Bengal ended in 1979 with the relinquishments of blocks by six foreign oil companies who performed a limited oil exploration in the offshore areas.

Coincidence it may be, both the present petroleum Minister and the Chairman of Petrobangla are renowned geoscientists — a combination rather uncommon in Bangladesh Petroleum Administration sector.

As pointed out by an oil observer, it would not probably be unreasonable to expect the above combination to show its worth in an administrative system frequently alleged for bureaucratic and non-professional attitudes where expertise services are in need.

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US seeks allies' support to spur global economy

WASHINGTON, Sept 25: The United States is warning its major allies that more must be done to overcome a prolonged period of global sluggishness that has sent unemployment soaring to record levels, reports AP.

However, private economists were not expecting any major new initiatives to come out of Saturday's closed-door talks among the world's seven largest industrial countries.

That's because Germany and Japan have just cut interest rates and are not inclined to go further now despite insistence from Treasury Secretary Lloyd Bentsen and others at Treasury that more needs to be done.

Bentsen and Federal Reserve Chairman Alan Greenspan were playing host for the discussions at Blair House, the presidential guest house.

The talks, involving finance ministers and central bank presidents of the United States, Japan, Germany, Britain, France, Canada and Italy, were being held in advance of the annual meetings of the 178-nation International Monetary Fund and its sister lending organisation, the World Bank.

In advance of those talks, Bentsen was scheduled to hold a round of bilateral discussions with British, German and Japanese officials.

In addition to searching for ways to stimulate the global economy, the G-7 officials had invited Russian Finance Minister Boris Fyodorov to give them an update on the latest crisis in Russia, with President Boris Yeltsin in a standoff with hard-line lawmakers he dismissed.

Also on the agenda was a US

proposal to raise dls 3 billion over the next 10 years to support recent Middle East peace breakthroughs to support economic development in Israeli-occupied territory.

US officials made it clear going into Saturday's meetings that they planned to urge further actions to stimulate the global economy, including additional interest rate cuts in Germany and other nations in Europe and possible consumer tax cuts in Japan.

Bentsen and Treasury Undersecretary Lawrence Summers both said such actions are needed to jump-start a global economy that can't seem to shake off its lethargy.

Summers said Friday in a speech to international business executives that the industrial world has been gripped by a "terrible recession." Unlike pre-

vious global downturns in the 1970s and early 1980s that were caused by oil price shocks, he said there was no single culprit for the past four years of sub-par growth.

Summers said the global downturn had pushed the unemployment level in the seven richest countries to a record 24 million and trimmed economic output by dls 349 billion — the equivalent loss of 2,000 dollar for every family of four.

"We must do better," he said. "We must at least raise the rate of growth to the level where the number of people without jobs is falling."

But private economists noted that in addition to cutting interest rates recently, Japan has put forward a new government stimulus programme and, like Germany, is unlikely to do more right away.

Chinese ship back home

BEIJING, Sept 25: The Chinese ship at the centre of a Sino-US row over charges of banned chemical shipments sailed home on Friday to a rousing welcome in the northern port of Tianjin, the official Xinhua news agency said, reports Reuters.

The Yinhe was greeted by officials from its owners, the China Ocean Shipping Corp, as well as officials at the Tianjin port and customs authorities after completing its 16-day voyage from Dubai, the agency said.

After weeks of diplomatic bickering, China allowed the Yinhe's cargo to be inspected in Saudi Arabia following US charges it was ferrying banned components for chemical weapons to Iran.

The check turned up nothing, however, and China has demanded a public apology and compensation from the United States for damages incurred in the incident.

Virgin Atlantic Airways to launch service to HK

HONG KONG, Sept 25: Britain's Virgin Atlantic Airways will launch a daily non-stop service from London to Hong Kong beginning Feb 1, 1994, the airline announced Saturday, reports AP.

In a press release, the airline said it will operate the wide-bodied four-engined Airbus A340 on the route.



Russian President Boris Yeltsin and his Ukrainian counterpart Leonid Kravchuk (R) share a light moment as they meet for the start of the CIS meeting in Moscow Friday. Leaders from most of the former Soviet republics are coming together to discuss financial matters. —AFP photo

Kuwait takes hardline on OPEC decision

GENEVA, Sept 25: Kuwait yesterday warned fellow OPEC members it was still insisting on special treatment when the producers' group sets output strategy and tries to revive sagging prices in a market full of excess crude, reports Reuters.

"We are a special case," Kuwaiti Oil Minister Ali Ahmed Al-Baghi told reporters on the eve of policy talks, reiterating the Emirate's demand that other members give it room to pump more oil as it restores production crippled in the Gulf War.

The Kuwaiti demand disrupted the Organisation of Petroleum Exporting Countries' previous output talks in June, which ended with Kuwait refusing to accept a quota it considered too low and vowing instead to pump what it considered to be reasonable.

Delegate sources said OPEC's task was to find a formula that could lure Kuwait back into the quota system without upsetting either Saudi Arabia or Iran the group's two biggest producers.

Iran, which in June vetoed any special treatment for Kuwait regards its own quota as unfair and is said by western monitors to have regularly produced 10 per cent more than allowed.

In all, quota-busting by members has poured around

one million Barrels of oil Per Day (BPD) above the group's agreed 23-million BPD ceiling onto the market recently dragging oil prices down by a fifth this year.

International benchmark Brent crude is trapped below 16.50 US dollar a barrel as the sluggish world economy has trouble digesting the excess supply.

Ministers were talking of setting a new ceiling on total OPEC volume around 24.5 million BPD, which would keep actual output practically steady but win credibility in markets that have sceptically eyed the gap between OPEC words and deeds.

Delegates said Saudi Arabia might be willing to accept a deal giving Kuwait a disproportionate

ate increase with others taking smaller rises.

Its minister, Hisham Nazer, was adamant on Thursday when he arrived in Geneva that the kingdom would not cut to a quota below its current allocation of 8.0 million barrels.

But some delegates thought that the Saudis might in certain circumstances if negotiations were going well, be flexible on how much of a quota increase they would insist on for themselves in the effort to make way for Kuwait.

OPEC President Jeane Kirkpatrick told members to be flexible at the talks or run the risk that prices could dive even deeper.

Asked by reporters if he thought Saudi Arabia and Iran would be flexible, he said, "I think they have to be."

Libyan Oil Minister Abdullah Salem Al-Badri, who chairs the OPEC committee that monitors members' adherence to their quotas, said the group's August output was around 24.7 million BPD, roughly in line with industry estimates.

He noted that OPEC had flooded the market with around 200 million barrels above agreed quotas since last March and that the resulting fall in prices had cost the group six billion US dollars in lost revenue many cash-strapped members desperately need.

UN to help developing states sell stockpiles of rubberwood

KUALA LUMPUR, Sept 25: The United Nations is to devise ways to help development nations sell huge stockpiles of rubberwood, a timber made from dried, up rubber trees, an official said yesterday, reports AFP.

Malaysia, Thailand, Indonesia and Sri Lanka, the leading producers of rubberwood, will form the core of the study, said Charles D'Assier De Boisredon, Director of UN's international trade centre, who is here to attend a rubberwood forum.

"We hope that with this study, an integrated development strategy will be formulated for the rubberwood industry," Boisredon told reporters.

Rubberwood could go a long way toward saving vanishing rain forests but the commodity had been languishing for years because of erratic supply from rubber growers in Asia, Africa and Latin America, experts said.

Boisredon said the United Nations would explore the institutional and social aspects of rubberwood trade and assess its supply situation and investment and expertise needs.

The findings of the study would be translated into an "action programme" to hand out technical aid to producers of rubberwood, touted as an excellent material for furniture making.

Jakarta to raise soyabean import

JAKARTA, Sept 25: Indonesia will increase imports of soyabeans in the 1994/1995 fiscal year starting a April to meet increasing domestic demand, news reports said here today, according to AFP.

The Daily Republica quoted Beddu Amang, vice chairman of the State Logistics Board (BULOG) as saying in a parliamentary hearing that Indonesia would increase soyabean imports to 600,000 tonnes from the current 400,000 tonnes to 500,000 tonnes.

Amang said the country's soyabean output stood only around 1.2 million tonnes and that could not meet the rising domestic demand.

He said the new imports would come from Vietnam and that payment would be made with fertiliser, of which Indonesia is a major producer.

Amang also said Indonesia would import some 2.6 million tonnes of wheat from China and Australia in the next fiscal year. He gave no further details on other agricultural imports.

Clinton's \$ 2.5b aid package for Yeltsin

WASHINGTON, Sept 25: President Clinton wrote Russian leader Boris Yeltsin overnight about the 2.5 billion US dollar financial aid package passed by the US House and Senate, an administration official said, reports Reuters.

In the letter sent Thursday night, Clinton told the beleaguered Russian President that the aid package was "another sign of friendship" between the American people and Russia, said the official, who spoke to reporters on the condition he not be identified.

The House and Senate still have to work out differences between their separate versions of the aid legislation, but their action clears the way for financing of new programmes as early as October, the administration official said.

In his letter, Clinton reaffirmed his offer to talk to the Russian president, who is locked in a bitter power struggle with the conservative parliament, whenever Yeltsin felt it was necessary, the official said.

Clinton also told Yeltsin he had talked with German Chancellor Helmut Kohl and he had written to the other Group of Seven leaders in support of Yeltsin.

Clinton also said he was encouraged by the calm of the Russian people in the face of the current political crisis.

EC states urged to use new, looser currency fluctuation rules

BRUSSELS, Sept 25: The European Community's top trade official said Friday EC countries should use their new, looser currency fluctuation rules to cut interest rates and "kick start their economies out of recession," reports AP.

In a speech to the Centre for Economic Policy Research, extracts of which were released in Brussels, EC External Trade Commissioner Sir Leon Brittan said the dozen nations should give up their efforts to stick to old currency values, which until Aug 2 were strictly bound in Europe's exchange rate mechanism.

On Aug 2, EC finance ministers widened the grid within which EC currencies may fluctuate, from 4.5 per cent to 30 per cent, to defend them from intense speculative pressure.

But nations have been hesitant to use the full width of the grid, for fear of deviating too far from the eventual goal of uniting their currencies.

But Brittan said attempts to reach a single currency by keeping exchange rates tied down could no longer work after the currency turbulence which has rocked markets during the past year.

EC states must accept that until the single currency is in place, the exchange rates may need to move, Brittan said.

"What is important is that they don't fluctuate wildly or in a way which creates doubts about the underlying motivation for realignments," he said.

He dismissed the notion that government controls limiting currency trading could return the exchange rate grid to its former strength, saying they would undermine efficiency and price stability.

Brittan advised EC governments instead to adopt "tough common price stability and monetary growth targets," as the trading bloc moves towards economic and monetary union.

If cutting interest rates to stimulate domestic growth leads to devaluation in currencies, that wouldn't hurt plans for monetary union, he said.

Instead, he said, it could lead to more realistic values for currencies and give the trading bloc a more soundly based single currency at the end of the 1990s.

In his speech, Brittan defended the notions of a single currency and economic union for the 12-nation Community.

"Until Europe has a single currency the European economy will continue to be fragmented, the single will not be properly complete and Europe's producers will continue to be at a disadvantage against their main competitors," he said.