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Journalist	JOSE BARROCK	AdValue	RM 28,978
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 The main advertisement image shows a hand holding a green Petronas fuel nozzle. Instead of fuel, stacks of 50 Malaysian Ringgit banknotes are falling from the nozzle. The background is a light blue sky.

The NEW RICH

Petronas' move three years ago to refocus its resources on the local oil and gas industry has benefited scores of companies in the sector and made their owners extremely rich, with some doubling their wealth in the last 12 months alone. Turn to our Cover Story on **Pages 62 to 65.**



KAMARUL REDZUAN



NG CHIN HENG




LIM HAN WENG



ZAINOL IZZET

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Riding a Petronas- fuelled BOOM



STORIES BY
JOSE BARROCK AND FATIN RASYIQAH
MUSTAZA

In March 2011, national oil corporation Petrolim Nasional Bhd (Petronas) announced that it was spending RM250 billion on capital expenditure (capex) over the next five years largely for exploration, development and production activities and the replenishment of its ageing domestic assets.

Considering that the company spent RM45.6 billion in the year ended Dec 31, 2012 (Petronas has changed its financial year-end to December), a five-year average capex of RM50 billion is substantial. The higher capex is part of Petronas' strategy under president and CEO Tan Sri Shamsul Azhar Abbas to get more "barrels" out of the country's existing oil and gas assets by improving yields at its maturing offshore fields that have been producing since the early 1980s.

Then, much to the surprise of many in the industry, Petronas, in June the same year, announced that capex for the next five years would be further increased to RM300 billion or RM60 billion a year. This was due mainly to the Refinery and Petrochemical Integrated Development complex — a greenfield project in Johor that was then expected to cost some RM60 billion.

"I remember the announcements were about two to three months apart. We were already excited at the prospect of a RM250 billion capex, so the increase to RM300 billion was like *durian runtuh* for the industry," says an oil and gas executive.

The additional spending saw some RM10 billion of transport and installation (T&I) jobs and RM10 billion of hook-up construction and commissioning (HUCC) contracts awarded last

year. These jobs were over and above the service contracts (RSCs) for the marginal and mature oilfields using oil recovery technology.

The RM45.6 billion capex in FY2012 was about 11% more than the RM41.2 billion spent in FY2011. A chunk of the 2012 capex — 60% or RM27.3 billion — was for exploration and production. Of the latter, RM19.3 billion was spent in the domestic market.

According to analysts, Petronas' capex in FY2013 was RM56.6 billion, the bulk of which was spent at home. The higher amount was the result of the Pan Malaysia HUCC and T&I jobs, which alone accounted for close to RM20 billion.

Thanks to these large contracts, many oil and gas players have seen their net worth increase significantly.

Pan Malaysia jobs

In mid-2013, Petronas awarded RM10 billion worth of HUCC jobs, of which Sarawak-based Dayang Enterprise Holdings Bhd bagged the lion's share or 40%. Another outfit from the state, Petra Energy Bhd, secured about RM2.5 billion worth of work.

The jobs are significant for Dayang and Petra Energy because before these were awarded, their order books stood at only RM1.2 billion and RM400 million respectively.

Another positive development for the two oil and gas players is that their shares have rallied. Dayang was trading in the RM2.20 band in May last year, but now it is in the RM3.75 band, which means a jump of about 70%. Petra Energy was trading in the RM1.50 band in contrast to

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its current level of RM2.45, marking a gain of close to 65%. Other beneficiaries include Sarku Resources Sdn Bhd, a wholly-owned subsidiary of SapuraKencana Petroleum Bhd.

Late last year, Petronas also awarded the RM10 billion Pan Malaysia integrated offshore installation contracts in four packages to three local companies: TL Offshore Sdn Bhd, a wholly-owned subsidiary of SapuraKencana; PBJV Sdn Bhd, which is wholly owned by Barakah Offshore Petroleum Bhd; and GOM Resources Sdn Bhd, a wholly-owned subsidiary of Puncak Niaga Holdings Bhd.

Other companies, such as the well-connected private outfit Target Resources Sdn Bhd and pilgrim fund Lembaga Tabung Haji's unit Berlian Macdermot Sdn Bhd, bid for the T&I jobs, but failed to secure anything.

Other than these two relatively large awards, Petronas has given out as many as five RSCs so far with the latest awarded last month.

Risk service contracts

Late last month, Petronas awarded Uzma Bhd and EQ Petroleum Developments Malaysia Sdn Bhd an RSC to get more barrels of oil from the Tanjung Baram oilfields.

While the value of the RSC has not been determined, the initial capital outlay is estimated at US\$100 million. However, judging from the rise in Uzma's share price of more than 70% over the past six months and closing at RM6.02 last Wednesday, the perception is that the RSC is likely to be lucrative.

Scomi Group Bhd and its partner Cue Energy Ltd were slated to bag the Tembikai and Canang fields last year, but the award was scuttled as problems arose with Cue Energy. Since then, the Tembikai RSC has been awarded to Petronas' wholly owned Vestigo Petroleum Sdn Bhd.

Other RSCs that have been awarded are for the Berantai field (in January 2011), which was secured by SapuraKencana with Petrofac Ltd as its partner, and for the Balai Cluster (August 2011), which was won by a consortium led by Australia's ROC Oil with a 48% stake. Its local partners are Dialog Group (32%) and Petronas Carigali (20%).

Another RSC was awarded in June 2012 and went to Canada's Coastal Energy Co and Petra Energy on a 70:30 basis.

In August 2013, Vestigo, in partnership with SapuraKencana, was reported to have bid for the Bubu RSC and was said to be the frontrunner to win the contract, but it is understood that there are still some kinks to iron out.

Late last year, Coastal Energy was in the news after it was taken over by Spain-based Compañía Española de Petróleos, SAU (Cepsa), in partnership with Strategic Resources (Global), a private investment holding group linked to well-connected local businessman Low Taek Jho (also known as Jho Low).

Cepsa and Strategic Resources paid C\$19 a

share for Coastal Energy or forked out a total of C\$2.3 billion or US\$2.2 billion. With its expertise and influential owners, Coastal Energy could be a company to look out for.

Jho Low, who is said to have close ties to the present government and played a key role in Malaysia Development Bhd's large bond issues, is not the only well-known face in oil and gas.

The well-connected, old and new players

The booming oil and gas industry has given old players — those with ample experience — many opportunities to secure contracts in the domestic and international markets and enabled new players to mark their presence locally.

One of Malaysia's largest oil and gas companies is Bumi Armada Bhd. It has a market capitalisation in excess of RM11.5 billion and is 42.3%-owned by business tycoon T Ananda Krishnan — Malaysia's second richest man who has close ties with the ruling government.

In September 2002, Ananda, via his Objectif Bersatu Sdn Bhd and with Tan Sri Wan Azmi Wan Hamzah as his partner, privatised Bumi Armada at a cost of about RM440 million. Wan Azmi's Land & General Bhd hived off a 30.8% block to Ananda and the two businessmen took the company private.

After bringing Bumi Armada under his control, Ananda turned it from a domestic oil and gas player into one of the largest operators of floating production storage and offloading vessels in the world. Currently, the company has eight contracts (all overseas) under its belt.

In July 2011, the company's shares were floated again in an initial public offering that raised RM2.7 billion, making it the largest IPO that year.

In December 2009, Tan Sri Bustari Yusuf acquired a 30% block in Petra Energy, marking his first foray into oil and gas. Other substantial shareholders of Petra Energy include Wah Seong Corp Bhd with a 26.9% stake and Datuk Mohamed Nizam Abdul Razak — a younger brother of Prime Minister Datuk Seri Najib Razak — with about 9% equity interest.

Wah Seong is a unit of developer IGB Corp Bhd, which, in turn, is controlled by the powerful Tan family that owns Mid Valley City, among others. The patriarch of the family is Datuk Tan Chin Nam.

In May 2011, Tan Sri Rozali Ismail made his entry into the industry when his publicly traded vehicle Puncak Niaga Holdings Bhd acquired Global Offshore (M) Sdn Bhd and other companies that owned pipe-laying barge *Hercules* and other assets. The acquisition set the water operator back some RM177 million.

Last year, Puncak was awarded Package B of the T&I of offshore facilities by 11 Petronas production-sharing contractors, nudging the company's oil and gas revenue up to between RM600 million and RM700 million this year. Rozali is also politically well connected.

In January 2011, Datuk Abu Talib Mohamed — the brother of Tan Sri Abu Sahid Mohamed of

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Operating environment to become more challenging

FROM PAGE 63

Maju Group — took control of APP Industries Bhd and renamed it PFCE Bhd. Abu Sahid is known to be a powerful corporate figure and close to former premier Tun Mahathir Mohamad.

Recently, Tan Sri Hamdan Mohamad's Ranhill Energy and Resources Bhd proposed to take over the listing status of Symphony House Bhd. Hamdan is also known to be close to the ruling party.

Roushan Arumugam, son of Tan Sri A P Arumugam, is a substantial shareholder of Hibiscus Petroleum Bhd with a close to 7% stake. Arumugam is said to be close to Mahathir as well. Mahathir's son Datuk Mokhzani Mahathir, meanwhile, is a 10.1% shareholder of Sapura-Kencana and has 18.5% equity interest in Yinson Holdings Bhd.

Datuk Kamaluddin Abdullah, the son of former premier Tun Abdullah Ahmad Badawi, has about 11% equity interest in Scomi Group Bhd via his vehicle Kaspadu Sdn Bhd while billionaire Tan Sri Quek Leng Chan of Hong Leong Group and his associates have acquired an 11.5% stake in Scomi Energy Services Bhd, which is 65.6%-controlled by Scomi Group.

Tan Sri Halim Saad, a protégé of former finance minister Tun Daim Zainuddin, has a 27.2% stake in Sumatec Resources Bhd while the Lim family's Genting Group owns 95% of Genting Oil & Gas Ltd, which is involved in exploration and production activities via tie-ups with giant Sinopec and oil and gas supervisory body BP MIGAS in China and Indonesia respectively. In Morocco, the company operates in the Ras Jubu offshore exploration area.

In Sarawak, KKB Engineering Bhd is 42%-controlled by Datuk Kho Kak Beng, who is said to be a close associate of former long-standing Sarawak

chief minister Tan Sri Abdul Taib Mahmud while billionaire Tan Sri Tiong Hiew King controls Singapore-listed RH Petrogas Ltd, which has a handful of oil and gas assets, including 80% equity interest in a production-sharing contract with Petronas for Block SK331 in the state.

Other than well-connected individuals, government-linked companies too have a presence in oil and gas. Petronas' 62.7%-owned MISC Bhd has a 66.5% stake in Malaysia Marine and Heavy Engineering Holdings Bhd.

TH Heavy Engineering is 29.3%-controlled by pilgrim fund Lembaga Tabung Haji while Quek holds a 9% stake in the company.

Oil rig owner UMW Oil & Gas Corp Bhd is 64%-owned by national unit trust company Permodalan Nasional Bhd, both directly and via its 50% subsidiary UMW.

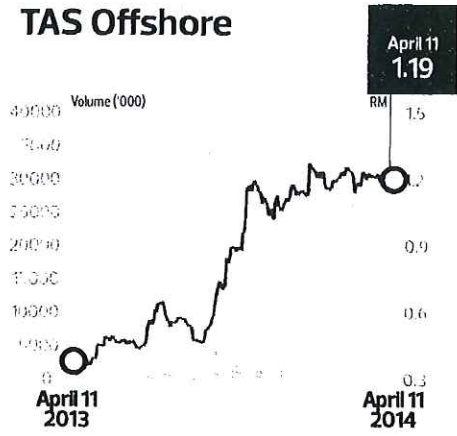
Ekuiti Nasional Bhd, meanwhile, owns 88% of Icon Offshore Bhd, an oil and gas offshore service provider, which is slated for an initial public offering later this year.

With all these players in oil and gas, the operating environment will become more challenging, especially for the new entrants, such as Rozali and the three special-purpose acquisition companies (SPACs), which are trying to get a foot in the door. The SPACs are Hibiscus Petroleum, Cliq Energy Bhd and Sona Petroleum Bhd.

"Look at the rally in [the oil and gas companies' shares] over the past two years or so ... there has been strong growth, [so] of course everyone is trying to get in. But the question is, have valuations gone too high? Does the rally have legs?" asks a fund manager. "But then again, I guess that would depend on Petronas' spending." **E**

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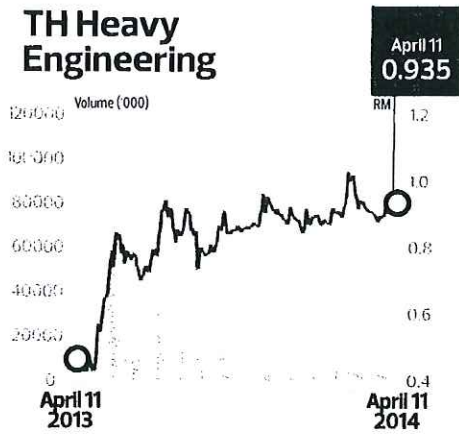
TAS Offshore



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