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EAST TIMOR

Oil Futures

The promise of onshore oil-and-gas reserves is drawing oil majors into fresh exploration

By John McBeth/DILI

Issue cover-dated June 17, 2004

WHILE ALL EYES FOCUS on the available resources in the Timor Sea, international oil-and-gas experts are taking a long second look at the possibility of new commercial discoveries on East Timor itself, where oil-and-gas leakages have been noted for decades along the southern coast. They like what they're seeing. Says Einar Risa, the Norwegian executive director of the Dili-based Timor Sea Designated Authority, "We find it highly interesting."

In the next few months, the East Timor government hopes to win parliamentary approval for the country's first petroleum law, which will lay down a framework for issuing licences and contracts for the exploration, development and production of oil and gas. Risa expects that will lead, in turn, to a comprehensive seismic progr amme covering areas onshore and as far offshore as the Timor Trench, about 40 kilometres off the coast.

Woodside Petroleum, the main partner in the offshore Greater Sunrise field, PetroChina, Malaysian state oil company Petronas, Cooper Energy, Santos and Brazil's PetroBraz have all shown interest in onshore exploration. Woodside has access to seismic data compiled before Indonesia's annexation of the then-Portuguese colony in 1975, and PetroChina recently completed a gravity and magnetic survey, looking to confirm previous indications of geological anomalies.

Alfredo Pires and Francisco da Costa Monteiro, natural-resources advisers to President Xanana Gusmao, count about 30 different areas along the south coast, from Suai, on the West Timor border, to a point near the eastern tip of the half-island state, where there are oil seepages and signs of natural gas. "There is no doubt there is oil and gas onshore," says East Timor's Energy Secretary, Jose Texeira, "but we don't know how much."

Geir Ytreland, an oil consultant and Norwegian government adviser to East Timor's Energy and Natural Resources Directorate, notes that the foreland basin, which covers the southern onshore and offshore parts of the island, is similar to the geology found in the Timor Sea proper. "The prospects [for finding commercial quantities of oil and gas] look very, very good," he told the REVIEW. "Personally, I'm very excited."

Risa, a grey-haired veteran of oil ventures around the world, is equally upbeat. "By going through the substantial material available and looking at that in relation to the increasing data we are getting from the Joint Petroleum Development Area [in which most of the offshore fields are located], we are in the process of drawing internal conclusions about the whole area," he says.

POWER SHORTAGES

About 20 wells have been drilled onshore in the last 100 years, beginning with discoveries that helped fire steam boilers around the rice-growing district of Viqueque in the early 1900s. Later, when Japanese troops invaded Timor during World War II, they scooped out about 100 barrels of light crude a day from a series of holes they dug on the foreshore and converted it to fuel on the spot.

Australian-owned Timor Oil drilled a handful of wells in the Suai area in the late 1960s and early 1970s, but Ytreland says advances in seismic technology over the past 30 years mean today's geologists can put together a much more revealing picture of oil-bearing geological traps lying beneath East Timor.

Likewise, wells drilled in recent years in deep waters off West Africa and Brazil show that the Timor Trench, which varies in depth from 1,500-3,000 metres, should pose no problems for exploration companies.

While it would be nice to find substantial new reserves to boost export receipts, Risa would be just as happy if explorers discover enough to fuel a string of small power stations and perhaps some light industry. That would help to reduce East Timor's dependence on diesel and invigorate some of the towns that have remained listless shells since Indonesian-backed militiamen laid waste to the former province when it voted for independence in 1999.

Dili's 10-12 megawatt power plant, which goes off-line at midnight and comes on again at dawn, accounts for about half of the installed generating capacity. Bacau, the second biggest city on the northern coast, has been without power now for four months. Los Palos, in the east, has been blacked out for seven or eight months. With no effective billing arrangements, there just isn't the money to pay for fuel supplies.

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