

GUNTINGAN BERITA

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Riau takes control of CPP oil block

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The government officially transferred on Tuesday the operation of the Coastal Plains Pekanbaru (CPP) oil block from American oil and gas company PT Caltex Pacific Indonesia to a joint venture of state-owned oil and gas Pertamina and Riau province-owned firm PT Bumi Siak Pusako (BSP).

The move is expected to end years of dispute over rights to develop the CPP oil block.

The joint-venture company will start operating the CPP block on Aug. 9.

Caltex's contract for the CPP block will expire on Aug. 8.

Under the new contract, Riau would become the first province in the country to enter the upstream oil business, which has long been dominated by foreign companies, Pertamina and some privately-owned domestic companies.

The contract was signed by chairman of the newly set-up implementing body Rachmat

Sudiby, Pertamina president Baihaki Hakim, and president of BSP Azaly Djohan.

The signing ceremony was witnessed by Minister of Energy and Mineral Resources Purnomo Yusgiantoro.

The CPP block covers an area of around 9,600 square kilometers, of which some 92.8 percent is located in Siak regency, about six percent in Bengkalis regency and two percent in Kampar regency, with total of 486 wells.

Azaly said that BSP was also still negotiating for the share composition of the regencies in the joint venture.

He said that BSP would invest some US\$300 million in the joint venture.

He said that in the short term, the joint venture company would maintain the current production level of 42,000 barrels of oil per day.

"But in the long term, we shall boost production by establishing some five new wells. We may invest some \$500,000 to \$1 million per well," Azaly said.

He added that the joint venture would recruit around 285 workers, of which 29 would come from Caltex.

Caltex's contract to operate the CPP block expired in August last year, but the company requested the government extend it for another year as Riau and Pertamina had yet to reach an agreement over share composition in the BSP.