



TEMPO/IGG MAMA ADI

BAD news came from the oil field of Widuri in Java's northern sea, Thousand Islands, on Monday last week. China National Offshore Oil Corporation (CNOOC), handling the oil field, reported that its *Lentera Bangsa* crude oil-collecting vessel was damaged, with a leak in the heating coil. As a result, the oil in the ship with a capacity of 700,000 barrels hardened into asphalt. The vessel could no longer be used to carry Widuri's production.

The Oil and Gas Upstream Regulatory Board (BP Migas) panicked. Head of BP Migas Raden Priyono hurriedly convened an abrupt meeting. At the meeting, according to a *Tempo* source, Priyono sought a speedy solution. The point was that the portion of oil for the state should not be affected. "By whatever means and at whatever price, repair it at all cost," said Priyono as quoted by the source in Jakarta last week.

The problem of *Lentera Bangsa* can't be trivialized indeed. Just imagine that the collecting vessel receives 22,000 barrels of crude oil from Widuri. Owing to the incident, national oil production, now standing at 917,000 barrels daily, is reduced by the amount. This year the government sets a daily oil production

target of 970,000 barrels.

In his fit-and-proper test before the House of Representatives three years ago, Priyono promised a million barrels daily. The fact is that the oil lifted is falling below the 1 million mark, even going down below 900,000 barrels. Unsurprisingly, BP Migas's performance has been spotlighted. In several hearings, the House Energy Commission frequently questioned the oil production slump.

Finance Minister Agus Martowardojo was already pessimistic about meeting this year's oil lifting target. Coordinating Minister for the Economy Hatta Rajasa was very disappointed. What was bothering, said Hatta, was the slow decision-making in attempting production increase, besides drawn-out tender handling. The *Lentera* damage information also reached Hatta. "I heard the oil in the collecting vessel had heating trouble," added Hatta on Thursday last week.

Lentera Bangsa actually belongs to PT Trada Maritime. CNOOC hires it at a price of US\$48,000 (around Rp415.7 million) daily. Its 10-year contract started in January this year. Trada converted the ship into an oil collector at Cosco Shipyard, Guangzhou, China. *Lentera*

arrived at PT Dok dan Perkapalan Kodja Bahari, Tanjung Priok Port, Jakarta, in mid-December last year.

As planned, the ship should have been operated in January but it was delayed until April. In less than a month, its heating coil leaked. According to Priyono, technical trouble is common in the oil industry. "Even a newly released car can be withdrawn due to some problem," he said. If its specifications had not fit, it would certainly have been rejected during pre-qualification or technical evaluation.

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BP Migas executives had a meeting with division heads on Friday noon two weeks ago. Their topic was the ever declining oil production. Operation Control Deputy Budi Indianto was asked to make a presentation. A *Tempo* source said, Budi indicated that production would not meet the target of 970,000 barrels daily. It was even hard to reach 930,000 barrels.

Budi described production drawbacks, among others in the production area of PT Chevron Pacific Indonesia, Riau. Crude oil channeling pipes in the Candi Well area, Kepenghuluan Rantaubais, Tanahputih, leaked in mid-

ConocoPhillips's gas-producing rig.

Budi Indianto and Raden Priyono.



March. Crude oil mixed with hot water gushed out. The sunken buoy of an LPG-collecting vessel owned by ConocoPhillips in the Belanak field, South Natuna, was not yet overcome either. The tender to procure a new buoy was stagnant so that the plan to resume operation in April is delayed. There's still a problem in the Cepu Block.

Another *Tempo* source said two shipyard companies had joined the tender. The company originating in Batam, ASL, bid the price of US\$8 million, and Sembawang from Singapore bid US\$12 million. Sembawang's work was four months longer. But a spokesman for BP Migas, Elan Biantoro, said a new buoy was heading for Batam.

Priyono was enraged. He insisted that the oil production target of 970,000 barrels be achieved. But Budi could not promise it. After dusk, the meeting ended. The division heads and some deputies left the meeting room on floor 35 of BP Migas in Wisma Mulia, Jalan Gatot Subroto, Jakarta. Three people remained: Priyono, Budi, and Hardiono, BP Migas deputy head. Priyono was direct. He admitted he had several times been warned by the government for the oil output plunge.

Some sources said the small meeting ended in a request that Budi resign. Priyono had apparently prepared a resignation letter. Budi was ready to step down as he was also entering retirement. But the graduate of the 11 November Technology Institute, Surabaya, was angered because in the letter proposed, Budi was declared to be retiring for health reasons. Budi refused to sign. He wanted it to be changed: resigning due to the unrealized national production target. It was finally revised.

Budi signed the resignation letter the same evening. It was addressed to the

head of BP Migas, with a copy to Minister of Energy and Mineral Resources Darwin Zahedy Saleh. Priyono was reluctant to make an open comment. "Just cool it down first," he said. According to him, the official was unable to handle the great burden and offered his resignation. "Isn't it elegant for all parties?" Budi was also silent. He was awaiting Darwin's decision. "The minister appoints, transfers or discharges deputies," he said.

Still another *Tempo* source said Darwin had summoned Priyono and Budi separately. Last Wednesday evening, back from Cilacap, Central Java, Budi was invited to Darwin's official residence in the Widya Chandra ministerial complex, South Jakarta. Budi was asked to remain in BP Migas. Likewise, Priyono was asked to cool off.

Energy Minister expert staffer, Kardaya Warnika—former head of BP Migas—said oil lifting matters constituted a shared responsibility. It's because oil and gas production forms a link in the chain of planning, procurement and operation.

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A FEW days after Budi resigned, Chairman of the Indonesia Deepwater Development team Iwan Renadi Soedigdo also resigned, effective as of April 12. Iwan is one of Indonesia's two deep-

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sea exploration technologists. Once he joined Malaysia's Petronas, handling among others the construction of a floating production unit in the deep-sea project of Sabah, Malaysia.

Iwan's latest post was head of the BP Migas team for developing the Indonesia Deepwater Development gas field owned by Chevron in East Kalimantan. The project worth US\$600 million is designed to produce 200-300 million cubic feet of natural gas daily, starting in 2015. It's the first deep-sea gas project in Indonesia at a depth of 2,500 feet below sea level.

According to a *Tempo* source, Iwan was disappointed because the tender for rig and submarine pipes was unfair. Tender participants Worley Parson (USA) and Technip (France) were believed to have bid too-high prices. For the pipe project Worley proposed US\$20 million and Technip US\$26 million. In fact, Iwan estimated the maximum market price at only US\$5 million.

Iwan, said the source, had asked BP Migas to arrange a repeat tender or at least price renegotiation. It was due to indications of potential state losses, when all the funds spent by the operator are later reimbursed through cost recovery (by the oil and gas contractor). However, Iwan's proposal was turned down. Sadly, Iwan declined to comment when asked to confirm it.

The case is now handled by the Business Competition Supervisory Commission. Chairman of the commission, Nawir Messi, confirmed his team was investigating the Indonesia Deepwater Development project. "Somebody reported an alleged collusion that caused the soaring prices," he said to *Tempo* last week. The commission summoned Hardiono as witness last month. He was asked about the alleged collusion between Worley Parson and Technip. "I replied though I had suspected it I could not prove it," he told *Tempo* in Jakarta.

The tender for undersea pipe and rig construction, said Hardiono, originally involved four participants. But two companies failed at the technical stage. So Worley and Technip proceeded to the commercial stage. It was decided that Technip won the undersea pipe project worth US\$26 million while the rig project was awarded to Worley at a cost of about US\$11 million.

Now the Indonesia Deepwater Development has been suspended. BP Migas is anticipating a decision to be made by the commission. The oil production target is thus moving even farther from realization.

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