

# The smart move that made Trinidad a core asset for BG Group

BY DAVID RENWICK

There's little question that BG Group executives of the time in London displayed remarkable foresight by buying out most of the worldwide upstream assets of the United States' (US) Tenneco in 1989, if only because with the purchase came a raft of undeveloped gas assets in Trinidad and Tobago that the group has since parlayed into one of its seven core assets internationally and the bedrock of its lucrative gas sales to the US.

BG acquired interests in three gas discoveries off Trinidad's north coast, in what is known as the North Cast Marine Area (NCMA) and one in the East Coast Marine Area (ECMA), with reserves estimated at about 4.5 trillion cubic feet (tcf) in total.

It promptly set about to develop them, with the associates it had inherited – Texaco, now Chevron in the ECMA and Deminex (now Suncor), Agip (Eni) and, later, Trinidad and Tobago's state oil company, Petrotrin, which was brought in as a unitisation partner.

BG's timing was doubly prescient because the company arrived just at the moment that Trinidad and Tobago's state-owned gas distributor, the National Gas Company (NGC) was worried about the reliability of gas supplies following the failure of the state-company sponsored experiment in offshore gas development via a company called Trintomar in what was known as the South East Coast Consortium (SECC) block.

This was conceived as a 'counterweight' to the then Amoco Trinidad Oil Company's (ATOC, now bpTT) sole dominance of the gas supply business but the one field exploited, called Pelican, turned out to be an expensive disappointment.

NGC hurriedly brought in the then high-flying US independent, Enron Oil and Gas, to salvage gas supplies from the block, which it did, but the national gas distributor was keen to have a much bigger company, with more international clout, active in Trinidad as an alternative supplier to whom it could turn for large amounts of gas.

BG fitted this description admirably and by 1994 was already signed up to provide up to 275 million cubic feet a



Derek Hudson



Commanding heights: BGTT's headquarters in Port of Spain

day (mn cfd) of gas from what was called the Dolphin field, located in block 6 in the ECMA, in which BG Trinidad and Tobago was a 50/50 partner with the now Chevron and held operatorship rights.

All of this gas was destined for the domestic market, to feed the petrochemical plants that were then springing up at the Point Lisas Industrial Estate on the West Coast but BG had bigger fish in mind, namely exporting gas in liquefied natural gas (LNG) form.

It missed out on being able to provide gas to Trinidad and Tobago's first LNG train in 1999 but did become a 26 per cent shareholder in the liquefaction company, Atlantic LNG, which astutely safeguarded its gas supply position in future trains.

The entire Train 1 gas supply came from bpTT but BG negotiated the right to provide 50 per cent of the requirement of Train 2 and 25 per cent of that for Train 3, which were built more or less simultaneously. Its equity in Trains 2 and 3 was 32.5 per cent and when the mammoth (800 mn cfd) Train 4 came on stream in late 2005, it took a 28.89 per cent shareholding.

All of BG's gas liquefied through the four trains is sent to the US market, where the company has skilfully built-up a major re-gasification and marketing apparatus centred at Lake Charles and Elba Island.

Around 427 mn cfd of that is derived from the Hibiscus, Chaconia, Ixora and Poinsettia fields in the NCMA 1 block and about another 220 mn cfd from the Dolphin and Dolphin Deep fields in blocks 6b and 5a in ECMA.

So crucial is Trinidad and Tobago regarded as being to the sanctity of BG's US gas market, that the company has immediately taken advantage of any opportunity that has arisen in the country for adding to its gas reserves base.

In 2006, it acquired the 65 per cent operating interest that

Vermilion Oil and Gas held in the Central block by buying out its Canadian-based parent, Aventura. Though its reserves are modest (around 500 billion cubic feet (bcf)), the Central block occupies the unique position of being the only source of commercial non-associated natural gas on land in Trinidad, producing circa 50 mn cfd to both the domestic market and ALNG.

A much larger potential gas reserves target was the new block 5c off Trinidad's South East Coast, won by Canadian Superior in the 2003-04 Ministry of Energy and Energy Industries (MEEI) block auction. Block 5c was actually carved out of the surrendered portion of BG's block 5a and the company had actually bid for it when it was first offered but lost out to the small Canadian independent.

It was clearly in a good position to know the prospectivity of the block and in 2007, farmed-in to 5c for 30 per cent.

The move has, once again, proved astute, since, according to Trinidad and Tobago's Minister of Energy and Energy Industries, Senator Conrad Enill, the first two wells drilled in the block, Victory and Bounty identified around 3.3 tcf of natural gas resources – more than half the amount needed for a train the size of Atlantic's Train 4.

A third well, Endeavour, was due to be completed by the end of December 2008, with the strong likelihood of a third find.

BG's gas production in Trinidad and Tobago is now close to one billion cubic feet a day (bn cfd) – it shares this with its partners, in both the NCMA and ECMA, of course – which makes it second only to bpTT as a gas supplier in Trinidad and Tobago and the entire insular Caribbean. In 2007, BG and its partner Chevron also signed a new domestic contract with the NGC to supply an additional 270 mn cfd from mid-2009. This gas will also come from the ECMA fields.

It clearly has no intention of stopping there, as its local president, geologist Derek Hudson, confirms:

"We remain committed to our extensive exploration and production activity in the East and North Coast marine areas, as well as the Central block," he insists, "and will continue to work closely with the government to promote further expansion and recovery of the country's natural gas resources."

This definitely includes helping pioneer the recovery for the first time in the Western Hemisphere of cross-border gas which happens to straddle across reservoirs under the seabed between BG/Chevron's block 6d in Trinidad and Tobago and Chevron/ConocoPhillips/PDVSA's block 2 in Venezuela's Plataforma Deltana area.

MEEI has put the gas resources in the Manatee discovery in 6d at 2.7 tcf, with 7.3 tcf in the Loran discovery in block 2.

This is quite a prize in any oilman's language and both

sides will move smartly to develop the gas once a final agreement between the two governments can be signed (which may, with luck, happen in 2009).

Mr Hudson's intention to "work with the government," as stated above, has also been well expressed in BG's role in an "LNG Expansion Feasibility Study" undertaken jointly with the MEEI, partly designed to identify ways in which Trinidad and Tobago can become a bigger player in the LNG value chain.

The study is now completed and Mr Hudson says it has come to the conclusion that enough reserves exist in Trinidad and Tobago for a fifth LNG train ('Train X') and opportunities are available for the participation of the government along the value chain, with BG anxious to assist in this regard. □



Impressive depths: BG-operated Dolphin gasfield off Trinidad's East Coast