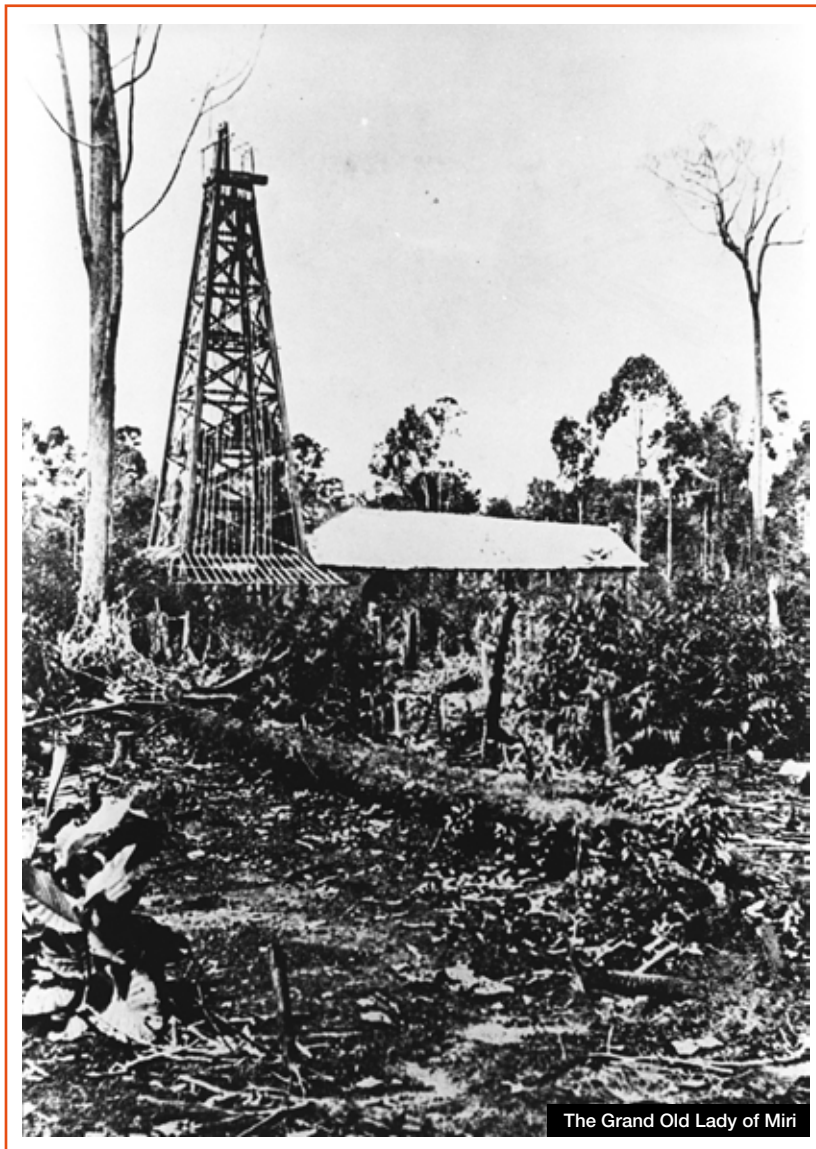


CELEBRATING 100 YEARS OF OIL IN MALAYSIA



1910 was a milestone year for Malaysia, marking the discovery and drilling of the country's maiden oil well by Shell. The well on Canada Hill in Miri, Sarawak, laid the foundation for the country's petroleum industry, which a century on is still powering Malaysia's growth and development. **ANUAR TAIB**, Chairman of Shell Malaysia, looks back on the last century of oil in Malaysia and talks to Sreerema Banoo about the challenges and its future in Malaysia.



Lutong Refinery, 2000



Malaysia first refinery built at Brighton, Miri, 1914



If Shell Malaysia Chairman Anuar Taib takes a bit of time to ponder over the milestone moments of the last 100 years of oil exploration and production in Malaysia, it's not because he's stumped but rather because the list of highlights is a long, long one. In the century since the drilling of the first oil well on 10 August 1910 – and the striking of oil three days shy of Christmas that same year – the oil industry has witnessed a series of firsts. As a pioneer, Shell was there – and in many instances, the one responsible – for many of those historic events.

More than a century since its foray into Malaysia (specifically Sarawak since 1891), Shell companies in Malaysia are today involved in upstream, downstream, and projects and technology. Shell is the petroleum retail market leader in Malaysia, catering to one-third of Peninsular Malaysia and half of Sabah and Sarawak's market requirements.

Apart from one of the country's largest networks of retail stations (more than 900), Shell's operations also include the world's first commercial gas to liquids (GTL) plant in Bintulu, Sarawak, and a refinery in Port Dickson, Negeri Sembilan. Under production sharing contracts (PSCs) with PETRONAS, Shell is also the largest natural gas producer in Malaysia.

Looking back, Anuar says, the development of the oil and gas industry under the stewardship of PETRONAS has without a doubt contributed significantly to the development of Malaysia. He is grateful for the opportunity provided by the country and PETRONAS for Shell in Malaysia. He is proud of Shell's contribution towards the growth of the country's oil and gas industry, especially in terms of the development of new technologies, human capital and best practices on safety and health.

The company's achievements – such as drilling the country's first horizontal well, the first subsea well and the maiden discovery of deepwater gas – have been characterised by the introduction of new technology and capabilities. "Technology continues to be a fundamental part of our business strategy. The most successful energy companies are those that are able to stay ahead through innovation and by pushing the limits of what is possible," Anuar points out.

Shell has also been at the forefront of setting standards for safety and health, impacting the local fabrication industry. "The standards for the construction of offshore platforms, for example, are used by local fabricators and this exposure to international standards has allowed these companies to be competitive globally. Our presence has had a multiplier effect on our vendors and suppliers," he adds.



Pay day at the Miri head office, 1918.

Anuar Taib,
Shell Malaysia
Chairman

CENTENARY COMMUNITY PROJECTS

To commemorate its first oil well drilled, Shell Malaysia Chairman Anuar Taib unveiled three centenary community projects on 10 August at the Miri Petroleum Museum, Canada Hill. These were:

- The construction of a Centenary Footbridge to link Miri's Taman Awam to the Rocky Outcrop
- An inaugural Centenary Scholarship for Disabled Students – offered to students in Sarawak wanting to commence or further their studies at certificate, diploma or Bachelor's level, to be extended nationwide in 2011
- The Centenary 'We Care We Share' Grant, which offers Shell staff company funds to run a community service project of their choice

Close to 300 people attended the event including staff, Shell retirees, community leaders, department heads and representatives from PETRONAS. Deputy Chief Minister of Sarawak Datuk Patinggi Tan Sri Dr George Chan was present as guest-of-honour, together with Medan Abdullah, Senior GM of Corporate Services, PETRONAS, and Lawrence Lai, Mayor of Miri.

If there's one area of Shell's contribution to the oil industry and the country's development that Anuar is particularly proud of it's in the area of human resources development. "We are by far, among the foreign investors in Malaysia, the largest contributor to people in leadership positions in corporate Malaysia," he says, citing Datuk Seri Idris Jala (former CEO of Malaysia Airlines and currently Minister in Prime Minister's Department), Tan Sri Zarinah Anwar (Chairman of the Securities Commission) and Tan Sri Megat Zaharuddin Megat Mohd Nor (Maybank Chairman) as among the many illustrious former Shell employees.

Through the Shell Malaysia Scholarship Awards, Shell also offers scholarships and bursaries to bright young Malaysian students. This year alone, the company has committed RM14.5 million towards its scholarship programme for talented students across the country.

In July this year, 20 full scholarships were awarded to students in Peninsular Malaysia to pursue further studies at local universities while 10 full scholarships were given out for further studies at universities abroad. Earlier this year, Shell presented scholarships and awards to the value of RM8.3 million to 41 recipients in Sabah and Sarawak. For 2010, to mark its 100th year of operation in Miri, Shell offered additional scholarships for disabled students in Sarawak, a

category of scholarships that will be introduced in both Sabah and Peninsular Malaysia from 2011.

In the area of environment, Shell has initiated activities to promote and enhance environmental awareness and supports research and environmental conservation efforts in Sabah's Danum Valley and Maliau Basin, as well as a dolphin conservation programme along the Sarawak coastline. Community engagement is also a priority. In Sabah, for instance, Shell worked with enforcement agencies and district officials to educate the community on the downsides of fish bombing.

Milestone Moments

For Shell Malaysia and the oil industry as a whole, 1910 stands out as a milestone year. That first oil well spudded on 10 August 1910 laid the foundation for the country's national petroleum industry. Named Miri Well #1, it was to be the start of the Miri Land Field. The maiden oil well derrick later became known as 'The Grand Old Lady of Miri'. The drilling method of the day was slow and hazardous. Initial production was 82 barrels per day, which seems insignificant by today's standards. This increased considerably as the well was deepened further. The landmark discovery turned Miri from a fishing village into a bustling town almost overnight. Shell established its headquarters and set up a small clinic and sundry store.

By 1913, Sarawak Crude began to be exported globally. In 1914, Shell again made history with the completion of the country's first refinery at Brighton Beach. In 1917, severe corrosion led to the construction of a new and improved sealine in Lutong, 11km from Miri, which at the time was the longest sealine in the world. The Shell refinery was also moved to Lutong.

Although the Shell office in Miri was bombed and the Lutong refinery severely damaged during World War II, post-war reconstruction and rehabilitation put the company's operations back on track. By the 1950s, the company had come of age, and the following decade ushered in many firsts for Shell. In 1961, offshore exploration began in Sarawak. This was also when the company's research on single buoy mooring system bore fruit, says Anuar, adding that the system that's used industry-wide today was designed by Shell engineers in Lutong and deployed for Shell usage in 1961.

Baram Field, discovered by Shell, was the country's first offshore oilfield with commercial potential. It was followed a few years later by the discovery of the West Lutong Field. In

1968, the oil company that was operating as Sarawak Shell Oilfields Limited was renamed Sarawak Shell Berhad (SSB). In 1969, SSB, then headquartered in Lutong, had drilled more wells than any other Shell company outside of the US.

The 1970s marked some significant changes to the upstream oil landscape in the country, with the entry of other international oil companies and the enactment of the Petroleum Development Act leading to the establishment of PETRONAS. "In 1976, we signed our PSCs with PETRONAS," says Anuar. He says the landscape changed for the better with the establishment of PETRONAS. "Under the PSCs we're given a certain period for development and the time scale is tight for exploration, development and production, and this brings out the best in us," says Anuar, adding that technology and human capital then become essential.

Commenting on the more than three-decades-old relationship with PETRONAS, Anuar says: "Over the years, our relationship has evolved and matured. Starting from a domestic contractor-asset owner relationship, it has evolved

Coolies hauling a boiler uphill, 1911.



PSC signing with PETRONAS, 1976.



First and second class travel on the Ensalai Railway.



100 YEARS OF OIL AND GAS IN MALAYSIA

1910s – DISCOVERY

10 August 1910

- After a thorough survey, drilling begins at a selected site on Canada Hill.

22 December 1910

- Oil is struck at 136 metres, at Miri Well #1. The oil well derrick later became known as The Grand Old Lady of Miri.

1913 – Sarawak Crude begins to be exported globally.

1914 – Miri Land Field produces 488,000 barrels per year.
– Submarine pipeline from Brighton Beach, south of Miri, extending 4km into the sea, is constructed.
– Shell completes Malaysia's first refinery at Brighton Beach.

1917 – A new and improved sealine is constructed in Lutong, 11km from Miri. Longest sealine in the world at that time.
– The Shell refinery is moved to Lutong.

1920s-1930s – GROWTH

1921 – Sarawak Oilfields Limited (SOL) – a precursor of Sarawak Shell Berhad – takes over concession rights from Anglo-Saxon Petroleum Company Limited.

1924 – Construction of the Miri-Lutong road.

1929 – Miri Land Field reaches its peak production of 15,000 barrels per day.

1940s – SECOND WORLD WAR

1941-1945

- Second World War. Shell office in Miri is bombed, and Lutong refinery severely damaged.

1946 – Post-war reconstruction. The Shell office is relocated to Lutong.

1950s – COMING OF AGE

1954 – Shell receives a marine prospecting license to explore the Sarawak Continental Shelf.

1958 – Sarawak Oilfields Limited is renamed Sarawak Shell Oilfields Limited. New head office is built in Lutong.

into one of partners, collaborators and, in some businesses, competitors both in Malaysia and internationally. It has had its ups and downs but in general, it is a healthy relationship.”

Pushing the Envelope

Anuar acknowledges that this relationship and partnership will become even more important. Finding new reserves is “going to get tough.... Today, almost all if not all exploration work in Malaysia takes place offshore, and in deeper and deeper waters.” Nonetheless, he is optimistic that Shell in partnership with PETRONAS can venture into new areas and frontiers. “Together with our partners, Shell Malaysia is now exploring in water depths of more than two times the height of the PETRONAS Twin Towers.”

Given demand that’s outstripping the supply for easily accessible oil, Anuar recognises that technology is key in meeting this energy challenge. “We need to push the envelope in terms of oil recovery... Normal technology recovers about 30 per cent, so we’re looking at pushing the envelope with enhanced oil recovery technology to increase the recovery rate to 50 per cent and beyond. We also need to push the envelope

in terms of unlocking new reserves... Using technology to find reserves in even deeper waters,” he says.

“Finally, we need to make the existing fuel efficient, hence we developed Shell FuelSave (formulated to help motorists save up to one litre with every full tank).”

For the next five to 10 years, the priority for Shell is to increase the production rate so as to delay Malaysia’s status as a net importer of oil. “The big question is how do we rejuvenate production in Malaysia and delay the net importer status?”

While it will certainly be a challenging few years ahead, Anuar stresses that Shell is committed to Malaysia. “Malaysia is one of the countries Shell considers a heartland in both upstream and downstream. That commitment will continue.” ■

SREEREMA BANOO IS A FREELANCE WRITER BASED IN KUALA LUMPUR.

Launching a sealine in Lutong, 1921.



Shell Traffic Game, 1960



First tanker to use the first SBM in Lutong, Miri.



1960s – A DECADE OF FIRSTS

- 1961** – Offshore exploration begins in Sarawak.
- 1962** – The Orient Explorer discovers oil at Patricia and Temana, offshore Bintulu.
- 1963** – Baram 3 is drilled. Discovery of the Baram Field, Malaysia’s first offshore oilfield with commercial potential.
- 1966** – West Lutong Field is discovered.
- 1967** – Large reserves of natural gas in Central Luconia Province are confirmed offshore Bintulu in water depths of 60-120 metres.
- 1968** – Sarawak Shell Oilfields Limited is renamed Sarawak Shell Berhad (SSB). Offshore production begins at West Lutong in July.
- 1969** – SSB drills more wells than any Shell company outside the United States.

1970s – MALAYSIANISATION

- 1971** – Shell staff are moved from Seria, Brunei to Lutong.
- 1972** – Miri Land Field is abandoned. Miri Well #1, restored to its original splendor, is handed to the Sarawak State Government.
- 1973** – Sarawak Shell Berhad becomes completely independent of Brunei Shell.
 - Miri Well #1 is declared a State Monument on 31 October.
- 1974** – Petroleum Development Act is enacted, followed by the incorporation of PETRONAS.
- 1975** – Oil production reaches 100,000 barrels per day.
- 1976** – PETRONAS and Shell sign two production-sharing contracts: for offshore Sarawak, and offshore Sabah and a land block in the Dent Peninsula, eastern Sabah.

1980s-2000s

- 1982** – E11, the nation’s first natural gas field, comes on stream.
 - Miri General Hospital is officially opened.
- 1997** – Lutong Airstrip, Miri’s oldest airstrip, ceases operations in April. The Shell aviation service moves to Terminal 2, Miri Airport.
- 1998** – Sarawak Shell Berhad starts the “We Care, We Share” programme.
- 2005** – Miri is officially conferred city status.