

Chances rise for Scarborough gas field after neighbouring find

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Natural gas

BHP Billiton has made a gas discovery near its Scarborough field off Western Australia, boosting its prospects for attracting customers to underpin a \$5 billion liquefied natural gas development.

Securing customers is important if BHP is to persuade equal partner and field operator ExxonMobil to agree to development of the stranded Scarborough fields, which are some 280km offshore.

To date the long distance offshore and the lack of revenue-boosting condensate in the gas has left US-based ExxonMobil unconvinced of the merits of a development.

BHP is anxious to bring forward Scarborough, which is in danger of being overtaken by other projects in the race for export customers in Asia and North America.

Yesterday, Santos and US-based Apache approved their \$750 million Reindeer gas development off the WA coast, which will supply gas for the domestic market. In July Woodside approved its \$12 billion Pluto gas development 190km off WA, which will feed a liquefied natural gas export plant to be built on the Burrup Peninsula.

ExxonMobil's main LNG project in the region is its expanding Ras Laffan operation in Qatar.

It is also a participant in Chevron's Gorgon LNG project off northwest WA, which is still working to secure final environmental approval.

ExxonMobil is also examining a possible LNG development in Papua New Guinea.

BHP yesterday said its wholly owned Thebe-1 gas discovery 50km north of Scarborough may host 2-3 trillion cubic feet of gas, boosting the 8TCF it believes it and ExxonMobil are sitting on at Scarborough.

The discovery, which is 300km offshore, may help allay concerns that Scarborough lacks the scale to justify BHP's proposal to develop the field as a \$5 billion liquefied natural gas project based on a processing plant at Onslow on WA's Pilbara coast. It is hoping for first production in late 2011.

BHP yesterday said its Thebe-1 exploration well 300km offshore has struck a 73m gas column in water 1170m deep.

"The Thebe discovery is an excellent addition to our global portfolio. The results are encouraging and we will now proceed with further data gathering and evaluation," BHP global exploration president Steven O'Rourke said.

ExxonMobil spokesman Rob Young said he couldn't comment on the implications of Thebe for Scarborough, as it was a matter for BHP.

ExxonMobil was working collaboratively with BHP to assess development options for Scarborough, but the distance offshore represented a "technical challenge", he said.

Demand for LNG in Asia is rising as countries there turn to gas as a transitional fuel with lower emissions than coal.

There are, however, concerns that the window of opportunity for new projects could close come 2014. BHP is pushing to hurry Scarborough along, with the aim of starting LNG production by late 2011.

Santos and Apache yesterday gave the go-ahead for front-end engineering and design work on Reindeer, which they aim to have delivering gas by mid-2010.

The project, situated almost 100km offshore in the Carnarvon Basin, aims to capitalise on rising power demand in the state as well as higher domestic gas prices.

"The booming minerals industry in WA has given us the confidence to move forward with front-end studies for this project," Santos managing director John Ellice-Flint said.