

Pressure on Chevron to develop big gas field

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Chevron is under mounting pressure to develop one of its huge untapped gas fields off WA's north-west coast to help meet chronic domestic gas shortages after revelations the international oil and gas giant had refused to supply a Perth company hoping to buy gas worth up to \$US2 billion (\$2.2 billion).

The revelation that Chevron had rebuffed repeated approaches from Burrup Fertilisers to lock in a 30-year contract to buy gas from the undeveloped West Tryal Rocks gas field for a new \$US1.4 billion ammonia urea plant comes as the Federal and State governments clamp down on big oil and gas companies seeking to warehouse gas reserves for LNG export projects instead of developing them to meet domestic gas shortages.

The West Australian revealed last month that Federal Resources Minister Martin Ferguson and his WA counterpart Fran Logan were rigorously scrutinising applications by Chevron and Woodside to roll over 10 gas retention leases off the north-west coast, including West Tryal Rocks, after the companies had argued they were not commercially viable to develop in their current state.

Chevron and Woodside are attempting to convince Mr Ferguson

and Mr Logan to extend the retention leases they hold over the 10 gas fields for another five years without making development commitments, despite a 300 per cent rise in domestic gas prices, which will eventually flow through to higher household electricity bills.

However, Chevron's attempt to extend the West Tryal Rocks retention lease for another five years is set to come under even more scrutiny after the Indian owners of the Burrup Fertilisers' liquid ammonia plant revealed they had tried repeatedly to negotiate a contract to buy up to 100 terajoules of gas a day from West Tryal Rocks for the proposed new ammonia urea plant on the Burrup Peninsula.

Burrup Fertilisers commercial director Vinojit Ambalavaner said the gas supply contract his company had tried to negotiate with Chevron for more than six months could be worth as much as \$US2 billion.

"Our research indicates that West Tryal Rocks is a good candidate," Mr Ambalavaner said. "It has the right amount of reserves and production capability and its high nitrogen and CO2 content, which make it expensive to process for the domestic power market, is a perfect match for an

Continued on page 6

Chevron pressed to open gas field

From page 1

ammonia and urea plant which can tolerate high nitrogen and CO2 contents.

“However, the response from Chevron has been that they do not wish to discuss gas sales contracts with Burrup Fertilisers at this stage.”

The West Tryal Rocks situation is even more sensitive for Chevron because the oil and gas giant had to fight off attempts by the late Multiplex founder John Roberts to extend the lease when it came up for renewal five years ago. Mr Roberts argued forcefully in Canberra that Chevron should be prevented from rolling over the lease in 2002 under the 1967 Petroleum (Submerged Lands) Act because Multiplex was prepared to make a commitment to develop the gas field as it was.

Mr Ambalavaner said Mr Logan had been highly supportive of the company’s attempts to pressure Chevron to develop West Tryal Rocks or surrender the lease at a private meeting with the WA Minister last month.

Mr Logan confirmed yesterday that he had pledged to set up a meeting with Burrup Fertilisers and Mr Ferguson. “I assured Burrup Fertilisers that the WA Government had taken a leading role in the retention leases argument, having initiated the Ministerial Council on Energy national report, and that I would be liaising closely with my Federal counterpart in the review process,” he said.

A Chevron spokesman said the company was limited in what it could say about the approaches from Burrup Fertilisers because “we respect the confidentiality of approaches by, and any subsequent discussions with, existing and potential customers”.

“In relation to the West Tryal Rocks resource, the Gorgon Joint Venture participants believe the Gorgon project’s proposed LNG development on Barrow Island represents the best commercialisation opportunity for West Tryal Rocks gas,” the spokesman said.