

Shell likes view from Down Under

Stephen Wisenthal

European oil and gas group Royal Dutch/Shell is ramping up exploration in Australia as it looks for gas deposits it can control and develop into liquefied natural gas projects.

Shell has benefited from growth at Woodside Petroleum's North-West Shelf project, given it has a one-sixth direct investment and is Woodside's biggest shareholder.

But Shell has been waiting for more than a decade for the go-ahead at other projects in which it invests, such as US oil major Chevron's Gorgon LNG development.

Executive director Linda Cook, who runs Shell's gas and power business, said the group had returned to active drilling in Australia, spending about \$US200 million (\$221 million) a year, 10 per cent of its exploration budget.

"Our aim is that by exploring now as Shell, which is the first time we've done it in many years, we're able to make discoveries on our own and have a bit better control and be able to move more quickly," said Ms Cook, one of five members of Shell's top executive committee.

"Shell has an increased interest in Australia. We've been here for more than 100 years but I think our excitement about Australia is higher than it has ever been in the past."

A dominant stake in an Australian gas deposit might allow Shell to repeat the success Woodside has had in moving ahead on the development of the \$12 billion Pluto LNG project, of which it kept 100 per cent, selling 5 per cent each to two customers once it had made the final investment decision.

Shell has kept 100 per cent of the F-block lease in the Browse Basin that it won two years ago through a then-record \$159 million spending commitment.

It has drilled eight of the 12 wells it committed to complete and made a discovery at Prelude, which is close to the large Ichthys field that Japanese oil company Inpex plans to develop with an LNG project.

"We're very excited about [Prelude]," Ms Cook said. "It will at least be part of or contribute to an LNG project, hopefully in the not too distant future."

Shell has also joined mid-tier player Nexus Energy in the Echuca

Shoals discovery, close to F-Block, taking a 34 per cent stake in return for funding exploration.

It paid Nexus \$US40 million in 2006 for the gas in the Crux field, 100km north-east of Echuca Shoals.

The two companies have since secured the lease surrounding Crux, where they plan to drill an exploration well.

Shell retains a 25 per cent stake in the Gorgon development, which has been hit by environmental approval delays and concerns, shared with joint-venture partners Chevron and ExxonMobil, that it is too expensive.

"There was a lot of progress during this past year, with partner alignment, getting approvals in place, good progress on the marketing," Ms Cook said.

"So we're a lot closer than we were a year ago towards taking [an] investment decision, but it's hard to say precisely when that will be."

Shell was likely to continue its pursuit of exploration opportunities in Australia. "We're optimistic about the portfolio," she said. "We like it. But we'd still like it to get bigger."



Shell is spending \$220m a year on an exploration program in Australia.

Photo: ROB HOMER