

Chevron plans new LNG project in WA's North-West

10-March-08 by Mark Beyer and AAP

Energy giant Chevron has announced plans to develop its wholly owned Wheatstone gas field offshore from Karratha as a new liquefied natural gas (LNG) project, and says it is still pursuing plans to develop its long-delayed Gorgon LNG project nearby.

Today's announcement marks a significant shift in Chevron's plans; it had previously been looking to develop Wheatstone as a gas-to-liquids (GTL) project.

Chevron Australia Pty Ltd managing director Roy Krzywosinski said the US-headquartered company would develop Wheatstone and Gorgon, which were 85 kilometres apart, as independent projects.

"We have enough gas resources in WA to underpin two Chevron-operated LNG plants," he said.

"Wheatstone will not change our sense of urgency in moving the Gorgon project forward.

"We'll move both projects forward without delay."

The initial phase of the Wheatstone development will tap an estimated 4.5 trillion cubic feet of natural gas resources within two permits that include the Wheatstone discovery.

The processing facility will have initial capacity of at least one, five million tonne a year LNG production 'train', with capacity for additional production trains.

By comparison, the Greater Gorgon area fields are estimated to contain about 40 trillion cubic feet of gas, with an initial three-train project slated to produce 15 million tonnes of LNG per year.

"We intend to use Wheatstone gas resources to underpin a LNG facility on mainland WA," Mr Krzywosinski said.

"Wheatstone, in our view, is going to be a platform where we can not only commercialise our gas resources for LNG but also provide domestic gas for the local market."

He said future gas resources could be used to expand LNG production or even for gas-to-liquids, a technology that enables refiners to produce clean-burning diesel fuel, liquid petroleum gas and naphtha from natural gas.

Mr Krzywosinski could not yet confirm whether the Wheatstone project would comply with the WA government's gas reservation policy, requiring gas producers to commit 15 per cent of their gas reserves for the domestic market.

"We're currently looking at that and certainly understand and ... respect that energy security is a priority for the government, and that government and industry would need to plan for future gas energy needs.

"Wheatstone will be able to provide an infrastructure hub, so to speak, to provide that commercial gas and we're continuing to work with government to understand the scope of that commitment."

Mr Krzywosinski said Chevron concluded that it made sense to locate the facility on mainland WA "for commercial reasons but its also in line with our long-term strategic vision".

He said that while Chevron intended to keep Wheatstone wholly owned, the processing facility could take gas from other companies.

Wheatstone was discovered in 2004, and appraisal drilling was conducted late last year.

Chevron Australia is preparing design studies for development and production, further field appraisal work and site evaluation.

"We're going to be bringing on board over 100 people as we conduct further technical studies to determine the plant size, the plant location, and we'll be doing some ongoing field appraisal work and also to identify potential markets," Mr Krzywosinski said.

"We're moving forward with quite a determined focus in developing our large natural gas resources in Australia and continue to make significant multi-million (dollar) investments to discover, develop and commercialise our significant Australia gas resources for both domestic and international markets."

Front-end engineering and design is expected to commence next year.

Also today, Chevron Asia Pacific and its partners reached a final investment decision for the \$US3 billion (\$A3.225 billion) Platong Gas II project in Thailand.

The full Chevron announcement appears below:

Chevron Announces Plans for Wheatstone LNG development in Australia

SAN RAMON, Calif., Mar. 9, 2008 - Chevron Corporation (NYSE: CVX) today announced that its Australian subsidiary, Chevron Australia Pty Ltd, plans to develop a new Australian liquefied natural gas (LNG) project, based on its 100 percent-owned Wheatstone natural gas discovery.

The facility will be located on the northwest coast of mainland Australia and have initial capacity of at least one 5 million-ton-per-annum LNG production train with expansion capacity for additional production trains. The facility will also provide commercial domestic gas to the local market.

"Wheatstone LNG is a tremendous growth opportunity for Chevron, providing another platform to commercialize the company's significant natural gas resources in Australia," said Jim Blackwell, president, Chevron Asia Pacific Exploration and Production Co.

"Together, the Gorgon and Wheatstone projects are expected to make Chevron a leading natural gas supplier and operator of LNG facilities in the Asia Pacific region," said Blackwell.

Discovered in 2004, Wheatstone is located 90 miles (145 km) offshore in the Carnarvon Basin in water depths of around 650 feet (200 m). The initial phase of the development will tap an estimated 4.5 trillion cubic feet of natural gas resources located within the two Chevron-operated permits that include Wheatstone.

"The project will provide an infrastructure foundation for commercializing the Wheatstone resource, and enable the development of Chevron's additional significant natural gas resources offshore northwest Australia," said Roy Krzywosinski, managing director, Chevron Australia, based in Perth, Western Australia. "Prospective natural gas development opportunities include additional LNG, domestic natural gas and gas-to-liquids."

Chevron Australia is currently preparing design studies for development and production, site evaluation, and further field appraisal work. Front-end engineering and design is expected to commence in 2009.

"The Wheatstone LNG project reinforces Australia as an expanding and reliable supplier of natural gas for the 21st century. Furthermore, Chevron Australia respects government objectives to develop domestic gas projects and plans to partner with government to achieve this objective. We look forward to working with government to secure timely approvals to facilitate the Wheatstone development and contribute further to Australia's long-term, sustainable economic growth," said Krzywosinski.

Through its Australian subsidiary, Chevron has been present in Australia for more than 50 years. It operates the Gorgon Gas development and the Barrow Island and Thevenard Island oilfields and is a foundation partner in the North West Shelf Venture (natural gas, crude oil and condensate) and the Browse LNG development.

Chevron Australia is a significant investor in offshore north-western Australia exploration, one of four global focus areas for exploration for Chevron.

In addition, Chevron operates a Global Technology Centre in Perth, Western Australia, that provides technology support to the company's operations throughout Asia Pacific. Chevron works with Western Australian universities and the Australian government's scientific and industrial research organization in the Western Australian Energy Research Alliance

Chevron Corporation is one of the world's leading integrated energy companies, with subsidiaries that conduct business across the globe.

The company's success is driven by the ingenuity and commitment of approximately 59,000 employees who operate across the energy spectrum.

Chevron explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and other energy products; manufactures and sells petrochemical products; generates power and produces geothermal energy; provides energy efficiency solutions; and develops and commercializes the energy resources of the future, including biofuels and other renewables.