

## Wheatstone LNG puts Gorgon in doubt

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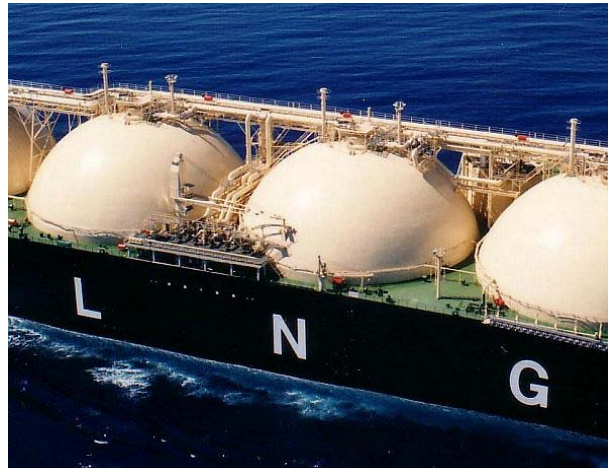
**CHEVRON is planning to build a multi-billion dollar liquefied natural gas plant for its Wheatstone field off Western Australia.**

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 facility, to be on the northwest coast of mainland Australia, will 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.

"Chevron Australia respects government objectives to develop domestic gas projects and plans to partner with government to achieve this objective," Chevron Australia managing director Roy Krzywosinski.

"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."



Front-end engineering and design is expected to start in 2009.

Only last month, Chevron reiterated it was studying a possible gas-to-liquids project in partnership with South Africa's Sasol, which would convert gas from Wheatstone into clean diesel.

Chevron's decision not only raises question marks over the company's commitment to an Australian gas-to-liquids diesel project, but also over the future of the Gorgon LNG project.

Industry gossip has long had it that among the three Gorgon partners, only Chevron, the operator, has remained strongly committed to the project.

Shell is believed to be lukewarm, while ExxonMobil is thought to be cold on the development.

Gorgon faces numerous environmental problems associated with its proposed siting on Barrow Island, an A-class nature reserve, and the high carbon dioxide content of its feedstock.

It has also been subject to numerous cost blowouts and budget revisions, and by late last year the budget was widely thought to be somewhere in the vicinity of \$20 billion.

In January, Chevron mooted increasing the development's annual production capacity from 10 million tonnes to 15MMt, in an effort to enhance economies of scale, but this could only further increase costs in the short-term.

It is understood that, yet again, the final investment decision on the project has been postponed, this time until early next year.

Well over a billion dollars has already been spent on preliminary studies at Gorgon, but Chevron may have now decided to stop throwing good money after bad.

Discovered in 2004, Wheatstone lies in WA-17-R, a 100%-owned Chevron retention lease, which lies north of the Greater Gorgon area and near Woodside's Pluto and Xena gas discoveries.