

Santos commits \$379m to gas project

CAMERON ENGLAND

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SANTOS will spend \$379 million on its Reindeer gas project off the Western Australian coast, the company announced yesterday.

In the first major announcement since former chief executive John Ellice-Flint stepped down last month, Santos said it would fund its share of the \$840 million project, which aimed to produce its first gas by the end of 2010.

The Reindeer gas field was discovered in 1997 in 65m of water, 45 km southwest of Dampier.

Santos has a 45 per cent stake in the project with the remainder held by the operator, unlisted company Apache Northwest - a subsidiary of U.S. company Apache Corporation.

Santos said yesterday the gas would be produced via an un-manned sub-sea wellhead, and piped 105 km to a new onshore gas processing plant at Devil Creek.

The processing plant would produce sales gas and condensate, with the gas piped to the WA domestic market via the Dampier-Bunbury natural gas pipeline.

Santos acting chief executive David Knox said the project was another important step in commercialising the company's significant gas resources.

"It is evident that recent higher gas prices will help to facilitate significant investments in long-term gas supply for Western Australia," Mr Knox said. "Reindeer is a great example of that."

The Reindeer field has proven and probable reserves of about 485 petajoules of gas and 1.6 million barrels of condensate.

The WA domestic gas market has been growing strongly in recent years, with the Australian Petroleum Production and Exploration Association reporting demand had grown on average 3 per cent over the past 10 years, and even faster over the past three.

"The volume of natural gas sold domestically increased by 13 per cent between 2005 and 2006, and new projects will ensure gas is available to meet Western Australia's rapidly-growing needs into the future," APPEA said.

"Dramatic increases in the cost of exploration and production, along with the extraordinary rise in demand from the current resources boom, have created the potential for demand to exceed supply in the short term.

"Very low prices for domestic gas in recent years have acted as insufficient incentive for investment in domestic gas exploration and production, and caused a lag in the development of new fields."

Alcoa, Alinta, BHP Billiton, Burrup Fertilisers and Verve Energy currently account for 90 per cent of WA's gas consumption.