

Santos readies for major WA gas project

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Oil and gas producer Santos is expected to proceed with development of the third biggest domestic gas project in Western Australia as early as today, coinciding with the industry's largest conference, hosted by the Australian Petroleum Production & Exploration Association.

The \$800 million Reindeer project, in which Santos has a 45 per cent interest, has already been given the green light by joint venture partner Apache Energy, which holds the remaining 55 per cent.

The project will pipe gas about 100 kilometres from the Reindeer gas field to an onshore plant at Devil Creek near Karratha, where it will feed into the Dampier-Bunbury pipeline.

But Santos and Apache are expected to face significant increases in the cost of developing the project. Such cost issues gener-

ally are set to colour the discussion of more than 2200 people who will descend on the 48th annual APPEA conference.

Speaking ahead of the conference, APPEA chief executive Belinda Robinson said the association was working closely with the federal and state governments to address declining oil production in Australia.

Ms Robinson said that while exploration was happening in known oil and gas fields, more needed to be done to encourage exploration in frontier areas. "We are working on a range of mechanisms that might encourage explorers to go to these high risk remote areas," she said.

"Costs are possibly impacting on the appetite for companies to go exploring, but it also highlights just how tough the environment is getting for those wanting to go exploring.

"[It is] making it even tougher and more unlikely that people are going in to very high risk, deepwater areas."

APPEA figures show that during 2007 crude oil production fell 3 per cent to 120 million barrels, the number of exploration metres and the number of wells that were drilled fell, yet offshore drilling expenditure soared 70 per cent and onshore drilling expenditure jumped 29 per cent.

"This is a stark illustration of the impact of rising costs and equipment shortages," Ms Robinson said.

APPEA president Colin Beckett said reducing costs was a matter of reducing the chances for companies to spud dry wells.

"The more we can do to understand these areas before we drill the better off we are." Mr Beckett said.

KEY POINTS

- Santos is partnering Apache Energy to develop the gas field.
- Generally, development costs are expected to increase significantly.
- The industry is trying to lower them.