

Apache set to relieve WA gas crisis

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THE worst of the West Australian gas crisis appears to be nearing an end after Apache Energy said yesterday it expected to restore some of the production affected by a June explosion at its Varanus Island facility earlier than suggested in initial forecasts.

A shortage of gas in Western Australia caused by the explosion has hit the bottom lines of many of Australia's largest mining companies, which were forced to seek other, more expensive, sources of supply.

Apache earlier said it would take until August 15 to restore partial supplies, but it yesterday forecast it could restore 120 terajoules (TJ) a day within "the next few days". Its production would then rise to 240 TJ a day by August 15, but the full 350 TJ a day production rate before the blast would not be restored until the end of the year since its Harriet joint venture facility next to the explosion site would take longer to repair.

After releasing second-quarter earnings of \$US1.4 billion (\$1.5 billion), up from \$US623 million last year, the US energy company said its Australian growth projects remained on schedule despite production plunging due to the Varanus Island shutdown.

Apache has invested in the Van Gogh and Pyrenees oil developments and the Reindeer gas project offshore in Western Australia.

Apache's chief executive, Steve Farris, said the company had yet to make a decision on whether gas from its Julimar find would be sold into the domestic market or to a liquefied natural gas producer.

Woodside Petroleum has not yet found enough gas to support a second production train at its \$12 billion Pluto LNG development. Now that Chevron has decided to build an independent project based on its nearby Wheatstone and Iago finds, Woodside either needs to discover more gas or buy it from a third party such as Apache.

Mr Farris said Apache was in "ongoing discussions" about selling the gas from Julimar to an LNG project - presumably Pluto. It hopes to commercialise the gas by 2011 or 2012.

Apache said it received \$US133.79 a barrel on average for its 8367 barrels of Australian oil production in the second quarter - the highest of any of its global

operations. But it received just \$US2.17 per 1000 cubic feet (MCF) for its Australian gas, compared with \$US10.62 per 1000 cubic feet for gas from its US operations.

Mr Farris said Apache expected to start drilling in the Gippsland Basin in Victoria toward the end of the present quarter, targeting an area near the Bass Strait joint venture.