

Delayed Devil Creek back on track for 2010: Apache

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Apache Energy insisted last night that its \$800 million Devil Creek project, slated to become energy-desperate WA's next major source of domestic gas, was on track to start production in two years despite falling behind the original timetable.

Construction of the Devil Creek workers camp was to begin in May but only started last weekend following difficulty by the US energy giant to receive the necessary Government approvals.

It is understood the delays were due to concerns over heritage issues related to traditional owners at the site near Forty Mile Beach, 42km southwest of Dampier.

Apache spokesman David Parker said last night the necessary approvals to begin construction of the work camp had now been received.

"We broke ground last weekend and we see this as a very positive step forward in the development of the State's next domestic gas hub," he said.

"We now expect to proceed as expected."

Although preliminary work is going ahead, Apache still needs environmental approval for Devil Creek in what looms as a major test of the State Government's pro-development resolve in the wake of an increasingly powerful environmental lobby.

Frustrations over the slowness of WA's regulatory approvals process have almost claimed its biggest victim, with Japan's Inpex expected to take up an offer from the Northern Territory Government to base the onshore operations of its \$20 billion Ichthys liquefied natural gas project in Darwin. The Ichthys gasfield lies in the Browse Basin off the Kimberley.

Analysts said that, given the gas shortage in WA, the State could ill afford further delays in the development of projects like Devil Creek.

Apache and its Devil Creek partner, Santos, hope to be producing first gas for the WA market by June 2010, making it the first new source of domestic supply since the Apache-operated Varanus Island gas plant and the North West Shelf venture were set up.

Devil Creek should initially supply 106 terajoules a day into the Dampier-to-Bunbury gas pipeline but will have the capacity to produce up to 212tj/d, depending on natural gas availability.

Although slated to produce only about a third of Apache's Varanus Island pre-explosion output, Devil Creek looms as a critical addition to WA's tight gas supplies.

Other, bigger North West Shelf projects such as Woodside Petroleum's \$12 billion

Pluto operation and the Chevron-operated Gorgon proposal are unlikely to supply the domestic gas market before 2012, while the various proponents of Browse Basin gas projects are still searching for best development options.

The Devil Creek project will see gas piped from the Reindeer field 110km off the coast to the onshore gas plant, from where it is pumped into the Dampier-to-Bunbury gas pipeline.

Apache and Santos are close to signing off-take deals for their gas, with Chinese group Citic Pacific top of the list.

Citic is developing the \$5.2 billion Sino Iron magnetite project at Cape Preston and needs a reliable longterm gas supply.

Any gas deal, however, is expected to be priced at least \$7 per gigajoule compared to \$2/gj deals that were the norm only five years ago.

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