

Gas hopes spring a leak in Pilbara

- *Nigel Wilson, Energy writer*
- December 29, 2006

NEGOTIATIONS over the long-term security of gas supplies to the world's largest liquid ammonia plant, the \$630 million Indian-owned Burrup Fertilisers in the Pilbara, will begin early in the new year.

Tap Oil, a member of the Harriet joint venture which in 2001 contracted to supply gas to Burrup Fertilisers for 20 years, yesterday told the Australian Securities Exchange (ASX) the venturers had each declared force majeure (an unexpected and disruptive event that excuses a party from a contract) on that part of the sales agreement covering reserves to back the deal.

Tap is the only Australian member of the Harriet joint venture, with a 12.2229 per cent stake. The operator is Houston-based Apache Energy with 68.5 per cent, with the remaining 19.2771 per cent being held by the Kuwaiti Government through Kufpec Australia.

An Apache official in Perth said the advice from Houston was not to comment on the force majeure.

Tap told the ASX the Harriet joint venture was supplying the daily contracted quantity of gas in accordance with the terms of the agreement and "it anticipates to be able to deliver gas for some years to come".

Recent exploration wells have failed to find significant new resources in the permit areas owned directly by the Harriet joint venture.

The force majeure notices were issued in November but Tap chief executive Paul Underwood yesterday denied the company was in breach of ASX rules relating to continuous disclosure.

"We've had a talk to the ASX and there is a provision in rules relating to confidential contracts which we believe adequately covers the situation. We have met our reporting obligations," Mr Underwood told The Australian.

"This is not something that needs to be argued through the business pages of the media."

Pankaj Oswal, chairman and managing director of Burrup Fertilisers, speaking from his holiday retreat in India, said the force majeure announcement would have no immediate effect.

"We are producing at 100 per cent of capacity and gas will be coming into the plant as contracted," he said.

"We'll have a talk about this in the new year when I get back from Christmas holidays - but it is not a problem. I mean, to us, it does not matter where the gas molecules come from, just that they have to be there ultimately to honour the contract.

"That is the legal position."

Mr Underwood was less convinced. He was reluctant to give information on the confidential arrangements, except to say the Burrup Fertilisers supply contract had to be met by Harriet joint venture reserves.

The Harriet project uses the small Varanus Island, north of Barrow Island, as a hub for the collection of gas from a number of small Northwest Shelf reservoirs, and supplies customers through two pipelines to shore.

The plant employs about 100 people at full capacity with yearly production capacity of 760,000 tonnes of liquid ammonia.