

Could Pluto 2 be a ghost train?

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PLUTO Train 2 will be designed and ready for a final investment decision at the end of this year, but the failure of Woodside Petroleum's latest exploration well, Ixion-1 in WA-370-P, casts doubts on whether the company will have enough gas for the LNG project expansion.

In its quarterly report, the company said it was progressing engineering to be ready for a potential final investment decision for Train 2 in late 2008 "subject to gas availability".



The basis of design is currently being prepared for Train 2 and Woodside is talking with potential contractors about the engineering, procurement and construction management contract.

"As part of the selection process for the engineering contractor for the front end engineering design phase, Woodside has engaged two joint venturers, Foster Wheeler Worley Parsons and Technip Chiyoda Fluor, to each prepare a project execution plan," the company said.

Woodside has said Pluto Train 2 could liquefy either Woodside gas or third-party gas, and it was most likely that production unit would use a mix of both.

The Pluto and Xena fields are just big enough to support Pluto's first train. Two more wells are yet to be drilled in the WA-370-P permit, but the failure of Ixion and last year's Belicoso-1 raise concerns that Woodside may not have enough of its own gas to support Train 2.

Nor is it certain that the company will be able to secure sufficient third-party gas to underpin a new production unit.

Chevron has made it clear that it wants to use its Wheatstone resource and other fields to supply its own 100%-owned LNG development, and Apache Energy has said it wants to use fields on the Julimar trend to supply the second stage of its Devil Creek domestic gas plant.

Indeed, word is that the prices Apache is realising on its latest domestic gas supply contract are as good as anything it could get from selling into a Woodside LNG project.

The Julimar trend could yet prove to hold up to 4 trillion cubic feet of gas, so there could be some gas left over for Pluto Train 2, but it won't be enough on its own to underpin the development.

Where else could Pluto Train 2 source its gas?

Perhaps from 1000km away.

In the Browse Basin, appraisal activities and feasibility studies on development options are ongoing.

Woodside has identified three development options for Browse LNG – offshore, in lagoonal waters adjacent to an environmentally sensitive reef; on the Kimberley coast; and on the Burrup Peninsula, via a 1000km pipeline.

While the pipeline would be very expensive, it minimise land access problems.

Woodside is aiming to make a final investment decision for the Browse in 2010.

Exploration is a risky business and no one expects every well to succeed, but if Woodside is to maintain the speed it aims for with the rollout of Pluto Train 2, it must have a significant success with one of the wells to be drilled in its WA-370-P Carnarvon Basin gas exploration program.

Either that, or make a big call on the development of its Browse Basin gas.