



Santos, Apache plan \$750m gas project

14-August-07 by Mark Beyer

Oil and gas producer Santos Ltd and its United States partner Apache Corporation are proceeding with detailed studies of their jointly owned Reindeer gas project, which could provide a major new source of gas for the Western Australian domestic market.

Their decision follows claims by major gas users such as Alcoa that WA industry is suffering from the limited availability of gas in the domestic market.

The price of gas in the WA market has risen sharply over the past 18 months to about \$6 per gigajoule and that is one reason why a project like Reindeer, with an expected capital cost of about \$750 million, has become commercially viable.

"The booming minerals industry in Western Australia has given us the confidence to move forward with FEED studies for this project," Santos managing director John Ellice-Flint said.

"It is also evident that recent higher gas prices will help to facilitate significant investments in long term gas supply for Western Australia such as that proposed for the Reindeer project."

The Reindeer project is likely to involve development of an unmanned offshore gas platform with a pipeline to a new gas processing facility on the mainland, probably on the Burrup Peninsula.

The plant would produce 110 terajoules (TJ) per day, with first gas targeted for mid 2010.

If Santos meets this timeline, it would help to offset an expected gas shortfall predicted by the Economic Regulation Authority.

In a report released earlier this year, the ERA concluded that "there could be potential problems looming in the supply of domestic gas to the WA market at various periods over the next five to seven years".

It said one reason for the expected shortfall was that the Woodside-operated North West Shelf venture recently encountered technical problems when upgrading its domestic gas plants.

"The upgrading program had been intended to increase the capacity of these trains by circa 100 TJ/day to accommodate growing demand and align with pipeline expansions," the ERA said.

A Santos announcement is pasted below:

Commencement of FEED for Reindeer Field

Santos today announced the commencement of Front End Engineering and Design ("FEED") studies for the Reindeer gas field in the Carnarvon Basin, offshore Western Australia.

The Reindeer field is located in permit WA-209-P in which Santos has a 45% working interest in joint venture with Apache Energy (55% and operator). The field was discovered in 1997 and has a gross recoverable resource range of 410 to 640 Petajoules.

The FEED studies will focus on the preferred development option, which consists of an unmanned offshore platform with a pipeline to a new gas processing facility to be located on the mainland.

The proposed production capacity is approximately 110 Terajoules per day of sales gas with first gas targeted for mid 2010.

The new onshore processing facility will increase the security of gas supply into the domestic Western Australian market by adding incremental processing capacity away from the existing plants at Varanus Island and the North West Shelf.

Commenting on the announcement, Santos' Managing Director, John Ellice-Flint highlighted the positive impacts of bringing a significant new source of gas supply into the rapidly growing Western Australian market.

"The booming minerals industry in Western Australia has given us the confidence to move forward with FEED studies for this project. It is also evident that recent higher gas prices will help to facilitate significant investments in long term gas supply for Western Australia such as that proposed for the Reindeer project," he said.