

# Chevron gas surprise hits \$12b Woodside Pluto play

PETER KLINGER

Woodside Petroleum's hopes of securing Chevron as a partner to underpin the expansion of its much-heralded \$12 billion Pluto project suffered a major blow yesterday when the US energy giant said it would push ahead with a stand-alone liquefied natural gas project in the Pilbara.

But Chevron's decision to snub Woodside in favour of its own \$10 billion-plus on-shore facility to process LNG from its huge Wheatstone gasfield is likely to attract intense scrutiny from WA's environmental lobby, which in the past has raised concerns about development on the Pilbara coast.

Chevron Australia managing director Roy Krzywosinski would not reveal the potential locations for Wheatstone's onshore facilities other than to say he was considering "a handful" of sites.

The sites are thought to be along the Pilbara's western coastline from the Burrup Peninsula to Onslow but do not include Barrow Island, where Chevron wants to develop on-shore facilities for its Gorgon LNG project.

Chevron is expected to have a Burrup location at the top of its wish list but it is considered highly unlikely that such a proposal would receive the necessary regulatory approvals given the peninsula's environmental and Aboriginal heritage sensitivities.

Any new LNG facility would also include a pipeline coming ashore and a jetty for LNG vessels to dock and be loaded, which is likely to require dredging of a shipping channel.

It is accepted within industry that Woodside was the last company to win

approval for an LNG plant on the Burrup. It is in the process of building the first of potentially three LNG trains at its Pluto site, near the North West Shelf joint venture, but is reliant on third-party gas to justify trains two and three.

The Pluto field contains five trillion cubic feet of gas, similar in size to the 4.5tcf Wheatstone and sufficient for one train capable of producing 4.3 million tonnes of LNG a year for the next two decades. Woodside wants to build additional trains to reduce its overall costs but will be reliant on Chevron to provide its raw gas to the onshore plant.

The Wheatstone gasfield is near Pluto and a tie-up of the two is likely to make commercial sense.

An industry observer last night described Chevron's declaration that it wanted to build a stand-alone facility for Wheatstone as a negotiation tactic to squeeze better terms out of Woodside.

A decision on Wheatstone's preferred location is likely to be made before the end of the year. Studies into the Wheatstone's viability are likely to continue until at least late 2009 before Chevron's board gives the financial go-ahead for a project likely to cost \$10 billion to \$15 billion.

Mr Krzywosinski would not comment on project costs or timing of first gas but said Wheatstone would supply much needed gas into the WA market.

State Development Minister Eric Ripper said Chevron's announcement was a vote of confidence in WA's future. He said he remained in talks with Chevron about the project's location as well as how much gas would be set aside for WA.

Chevron is planning a 5mtpa LNG train and possibly a gas-to-liquids plant.