

## Alcoa eyes stake in onshore gas project

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Aluminium giant Alcoa is considering bidding for a stake in the onshore Warro gasfield near Moora in a bid to secure energy supplies for its WA refineries.

WA's biggest industrial energy user is understood to be among more than 10 parties to have expressed an interest in Latent Petroleum's undeveloped Warro project.

The other parties are thought to include Chinese backers of the Mid-West iron ore sector, conscious of the need for energy sources to help develop their projects.



Arc Energy is also known to have looked at Warro.

The unlisted Latent and its adviser Argonaut Capital have asked interested parties to submit indicative offers by the middle of next month and expect to finalise a shortlist by the end of April.

Latent hopes to be producing first gas from Warro by this time next year and cash in on rampant WA industry demand for new energy supplies. It is targeting daily production of 90 million cubic feet, or about 100 terajoules, based on its belief it will be able to recover at least one trillion cubic feet of gas from Warro.

The field was discovered by WAPET in 1977 but not developed because of low gas prices and the field's geological complexity.

The field is classed as a tight gas resource and sits at depths of 4000m. Warro is estimated to contain 5tcf and is only 30km from the Parmelia and Dampier-to-Bunbury gas pipelines.

Over the past few years contracted gas prices in WA have soared from \$2 per gigajoule to as high as \$13/Gj because of a lack of new supplies, compounded by rapidly rising gas demand from industrial users like Alcoa.

The need for a gas source other than the North-West Shelf was also

highlighted two months ago when an emergency shutdown at Woodside Petroleum's Burrup plant threatened power blackouts in large parts of WA.

Latent is backed by Perth investment bankers Eddie Rigg, Charles Morgan and Craig Burton while listed minnow TranServ Australia has struck a deal to acquire up to 10 per cent of Warro.

Latent's managing director, Stephen Keenihan, is the biggest individual shareholder with a stake of about 18 per cent, followed by Argonaut with about 15 per cent.

The company had originally targeted a capital raising of up to \$50 million to advance Warro but is understood to have be considering a variety of options as a result of the calibre of parties to have expressed an interest, ranging from a company takeover to gas off-take agreements.

Latent has earmarked \$35 million for a stage-one program, consisting of two wells and development studies. The second stage, worth about \$70 million, is scheduled to include the construction of a pipeline to both the Parmelia and Dampier-to-Bunbury lines, the drilling of two more production wells and 3D seismic work.

Latent estimates field development to cost about \$300 million, given forecasts that 300 wells will be required over its 30-year production life.

Future funding arrangements will depend on what type of deal Latent strikes with its prospective partner.

Alcoa's interest in Warro is no surprise given its past efforts to secure future energy supplies before agreeing to a \$1.5 billion refinery expansion at Wagerup. Last year it struck a \$40 million deal with Arc to fund the Perth oil and gas company's exploration efforts in the Canning Basin.

"Alcoa is aware of the Warro project and, as a large user of gas, hopes that it alleviates any issues for future supply," an Alcoa spokeswoman said yesterday.

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