

Shell May Use Floating LNG to Develop Prelude Field (Update2)

By Angela Macdonald-Smith

April 7 (Bloomberg) -- Royal Dutch Shell Plc, the biggest European oil company, said the Prelude discovery off northwest Australia may be one of the first fields to be developed with floating liquefied natural gas production technology.

Prelude, which may hold 2 trillion to 3 trillion cubic feet of gas and lies about 400 kilometers (249 miles) off the coast, is too small for a multi phase LNG project, Linda Cook, Shell's executive director for gas and power, said today in Perth.

The Hague-based Shell, the largest non-government producer of LNG, said last month it's commercializing a technology to produce the fuel in floating plants that will enable otherwise uneconomic fields to be developed. While Australia's Browse Basin holds several gas finds, the construction of LNG plants in the region faces opposition from some environmental groups.

Floating LNG is "possibly the leading candidate" for developing Prelude, Cook told reporters at the Australian Petroleum Production & Exploration Association conference in Perth. "While still early days, we're excited about the technology and its potential application in Australia and in other countries," she said in a conference address.

Shell no longer believes it's likely the Prelude field is part of Inpex Holdings Inc.'s Ichthys field in an adjacent permit, Cook said in an interview. The company won't yet release the results from seven other exploration wells drilled within the WA-371-P permit, she said. Shell has committed to drilling 12 exploration wells in the license area.

Inpex Cooperation

Co-operation with Inpex is still possible through sharing logistics, Cook said. Inpex is seeking environmental clearance to build an LNG plant on the uninhabited Maret islands to process gas from Ichthys.

Shell will invite bids by June from companies including Japanese and South Korean shipbuilders to supply a floating LNG production ship with an annual capacity of 3.5 million metric tons, Jon Chadwick, the Asia-Pacific executive vice president at the company's gas and power unit, said at the Gastech conference in Bangkok last month.

Floating LNG may also be suitable for the Sunrise field in the Timor Sea, for other ventures in Southeast Asia and for fields in West Africa, Cook said.

Shell and its partners in Sunrise, which include Woodside Petroleum Ltd. and ConocoPhillips, want to agree on how to develop the field this year, Cook said. There are two other possible options -- onshore LNG plants in either Darwin, Australia or East Timor. Part of the field lies in waters jointly administered by East Timor and Australia.

East Timor Unrest

Perth-based Woodside and Houston-based ConocoPhillips both said earlier they want to move ahead this year with Sunrise.

Shell is "quite positive" about it, Cook said today. East Timor has been under a curfew since renegade soldiers shot President Jose Ramos-Horta at his home in the capital, Dili, and fired on Prime Minister Xanana Gusmao's motorcade in coordinated attacks on Feb. 11.

"I'm a bit more circumspect about when we can actually move this one into construction because there are a lot of hurdles still ahead," Cook said in the interview. "We have to land on a development concept first and then we can start the engagement with the relevant government agencies about getting the approvals we need."

Shell is "keen" to see progress on the Browse LNG project, though operator Woodside "still has some work to do on narrowing down the concept selection," she said.

Gorgon 'Tunnel'

Woodside said in February it has two preferred options to develop Browse, including building an LNG plant at a government-selected LNG "hub" on the Kimberley coast mainland, or piping the gas about 900 kilometers south to the Burrup Peninsula for processing at either an expansion of the Pluto or North West Shelf LNG ventures.

Shell has a one-quarter stake in Chevron Corp.'s delayed Gorgon LNG venture, also off northwestern Australia. The partners, which include Exxon Mobil Corp., have deferred a decision to build the project as they address a surge in construction costs.

"A lot of decisions have been taken so we see the light coming at the end of the tunnel about how to move this one forward," Cook said.

LNG is natural gas chilled to liquid form, reducing it to one-six-hundredth of its original volume, for transportation by ships to destinations not connected by pipeline.

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