

BHP Says 'Number One Priority' Is to Develop Australian Gas

By Angela Macdonald-Smith

May 13 (Bloomberg) -- BHP Billiton Ltd., Australia's biggest oil and gas producer, said the "number one priority" is to expand liquefied natural gas production business in the same way it has expanded oil output in the Gulf of Mexico.

The Scarborough and Thebe gas discoveries off the northwest coast, as well as the Browse LNG project, will help expand LNG output post-2013, J. Michael Yeager, chief executive officer of BHP's petroleum business, said today. BHP is in talks with the North West Shelf venture and others in Western Australia on the possible processing of gas from Scarborough, he said.

BHP has a one-sixth stake in the Woodside Petroleum Ltd.-operated North West Shelf venture, which is expanding LNG capacity through the addition of a fifth production unit this year. The undeveloped Scarborough field, half-owned by Exxon Mobil Corp., is the largest single discovery in BHP's portfolio, while the Thebe discovery, made last year, is the company's biggest find in the past five years.

"You're going to see us try to move heaven and earth to get those projects crystallized, formed up and get them going forward," Yeager told reporters at a briefing in Melbourne. "If we have a number-one priority, it is to do on the LNG side what we've been able to do in the Gulf of Mexico."

The Woodside-operated Browse project may cost between \$20 billion and \$30 billion to develop, Yeager said.

BHP and Exxon may decide within a year how best to develop the Scarborough field, Yeager said. Four options are being considered, including a floating LNG project, a standalone project, or sending the gas for processing through the North West Shelf venture or other companies such as Chevron Corp. that are seeking third-party gas for LNG, he said.

The Thebe discovery, holding between 2 trillion and 3 trillion cubic feet of recoverable gas, is 100 percent owned by BHP and is "a big shot in the arm" for the company's growth prospects in gas, Yeager said.

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

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Last Updated: May 13, 2008 03:38 EDT