

Australia Woodside Says Offshore Plant Preferred for Browse LNG

By Angela Macdonald-Smith

April 17 (Bloomberg) -- Woodside Petroleum Ltd., Australia's second-biggest oil and gas producer, said it may build an offshore plant to reduce the cost of producing liquefied natural gas from the Browse fields off the country's northwestern coast.

Initial studies on the potential design of the project found that locating the processing plant on the mainland would cost "several billion dollars" more than building one at Scott Reef about 400 kilometers (249 miles) north of Broome in Western Australia, Paul Moore, director of development at the Perth-based company's Woodside Energy Ltd. unit, said today.

The proposed Browse project, due to start production in 2013 or 2014, will tap fields that hold about 20 trillion cubic feet of gas and about 300 million barrels of condensates. The plant may have a capacity of as much as 15 million metric tons a year of LNG and may be 50 percent owned by Woodside and the rest by partners BHP Billiton Ltd., BP Plc, Chevron Corp. and Woodside's 34 percent shareholder Royal Dutch Shell Plc.

"We believe at the very early stage of screening, that the offshore option is less costly," Moore said in an address to the Australian Petroleum Production and Exploration Association conference in Adelaide. "This thing is not without its challenges."

Difficulties associated with an offshore project include the technology of building an LNG plant in shallow water on the reef, environmental protection of the reef and the need for an exclusion zone around the plant, which would affect Indonesian fishermen that legally use the area, he said.

Project Cost

The Calliance, Brecknock and Torosa gas fields that will supply the plant are at water depths of about 500 meters. They lie about half way between Indonesia and Australia.

Australia has about 153 trillion cubic feet of known, undeveloped gas reserves, the Australian Petroleum Production and Exploration Association said in a May report.

The project may cost about A\$17 billion (\$14 billion) to develop, JPMorgan Chase & Co. said in a Nov. 17 report. The South Korean government said in December it is interested in buying LNG from the project.

Woodside in September hired Foster Wheeler Ltd., a Bermuda-based industrial and energy services company, and WorleyParsons Ltd., an Australian engineering and construction company, to carry out technical studies for the Browse LNG project.

Woodside is still studying six potential locations in the Kimberley region in Australia's northwest should it decide to build the LNG plant on the mainland, Moore said. An onshore project would require a 450-kilometer (280-mile) gas pipeline between the Calliance, Brecknock and Torosa fields, which lie near the reef, and the gas liquefaction plant, he said.

'Challenges Are Huge'

"The technology challenges are huge in both cases and very different," Moore said. The project will take four years to build, so the venture partners need to approve the investment in 2008 or, more likely, 2009, he said.

The partners intend to carry out further appraisal drilling at the fields, as well as drilling an exploration well at the Snarf prospect in the same area, due later this year, Moore said. The Snarf prospect has the potential to hold as much as 6 trillion cubic feet of gas, Woodside Exploration Director Agu Kantsler said in November.

LNG is natural gas chilled to liquid form for delivery by tanker to destinations not connected by pipeline. On delivery it is turned back into gaseous form and distributed to users such as power stations, households and factories.

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