

Burrup dismisses gas shortage as float looms

TRACEY COOK

Indian businessman Pankaj Oswal has reassured prospective investors in the \$600 million float of Burrup Fertilisers that the long-term gas supply contract for its \$700 million ammonia plant is watertight despite rumours of a looming legal battle.

A prospectus for the float is due to be lodged soon.

Mr Oswal, who is expected to reap about \$450 million by selling down his holding in Burrup to 53 per cent, dismissed the "damaging speculation" that Burrup's 25-year gas supply agreement with the Harriet Joint Venture near the Barrow Island was facing problems.

"Please be aware that there is no pending litigation with the Harriet Joint Venture and there is no disruption to the gas supply to Burrup Fertilisers' operations," Mr Oswal said. "Current and future supply to Burrup is not limited to the Harriet gasfields and is not impacted due to arrangements in place with key joint-venture partners."

But market insiders believe that Burrup Fertilisers could face a legal tussle with Harriet joint venture member Tap Oil, which declared force majeure over its ability to meet future gas supply obligations in 2006.

According to sources close to Tap Oil, the company is seeking relief from its contractual obligations to Burrup if it does not make the required number of gas discoveries to meet future supply obligations.

Apache Energy and Kufpec also

issued force majeure notices in late 2006 to suspend the obligation to demonstrate the full 20-year reserve requirement to Burrup. But it is understood both companies have now withdrawn these notices.

Burrup's lucrative gas contract with the Harriet Joint Venture, which comprises Tap Oil (12 per cent), US-based Apache Energy (68 per cent) and Kufpec Australia (19 per cent), is considered one of the most attractive features of the company's proposed \$600 million float.

Burrup Fertilisers' Indian parent Oswal Group struck the contract with the Harriet joint-venture partners in 2001, requiring them to supply Burrup with about 66,000 gigajoules a day from July 2005 at a massive discount to current market prices.

Harriet suppliers are rumoured to be selling to Burrup at about a \$1/gigajoule compared with the current prices around \$7/gigajoule.

"The only reason Burrup Fertilisers exists in one of the highest cost construction and operation places in the world is because they struck a fantastic windfall gain contract on the price of gas, they are paying ridiculously low prices of gas," a source said.

Mr Oswal, who is planning to build a \$70 million Indian-style mansion in Peppermint Grove, refused to reveal what guarantees the company had secured over its long-term gas supply yesterday, stating that details of the company's arrangement with the Harriet Joint Venture would be detailed in the company's prospectus.



Controversy: Burrup Fertilisers' \$700 million plant is the subject of gas supply rumours, which the company denies ahead of its \$600 million float