

Chevron baulks at \$1.3b Pluto plant fee

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Chevron has baulked at paying Woodside Petroleum \$1.3 billion for the right to develop the Wheatstone gas-field using its rival's Pluto facilities in WA's North-West.

It is understood Woodside demanded the payment in return for granting Chevron access to the 180km Pluto subsea pipeline, which would bring the gas onshore, and to the liquefied natural gas processing plant on the Burrup peninsula.

Chevron would have also emerged with a significant equity stake in the Pluto facilities, which would need to be greatly expanded to accommodate the Wheatstone gas.

But talks between the two sides broke down, leading to Chevron's announcement last month that it would pursue a stand-alone LNG development for Wheatstone, which is thought to contain about five trillion cubic feet of gas.

While it has long been speculated that the price Chevron would have to pay to become a Pluto venture partner had risen from \$170 million to about

\$1 billion, it has now come to light that the buoyant market conditions for LNG and complexities associated with developing new onshore facilities on the Pilbara coast triggered a blowout in the Woodside demand to \$1.3 billion.

Neither Chevron nor Woodside would yesterday comment on the failed talks and it remains unclear whether the two sides will rekindle negotiations.

The Wheatstone field is adjacent to Pluto and a common infrastructure would make most sense. A stand-alone Wheatstone LNG operation is likely to cost \$10 billion to \$15 billion.

Although a source close to Chevron said it was committed to a standalone project on the west Pilbara coastline, and that the Pluto discussions were over, Woodside is thought to remain hopeful of striking a deal with its rival.

Woodside chief executive Don Voelte has made little secret of his desire to expand rapidly and enhance the profitability of the \$12 billion one-train Pluto set-up, which is under construction and due to deliver first gas for both the WA market as well as

overseas LNG customers by 2010.

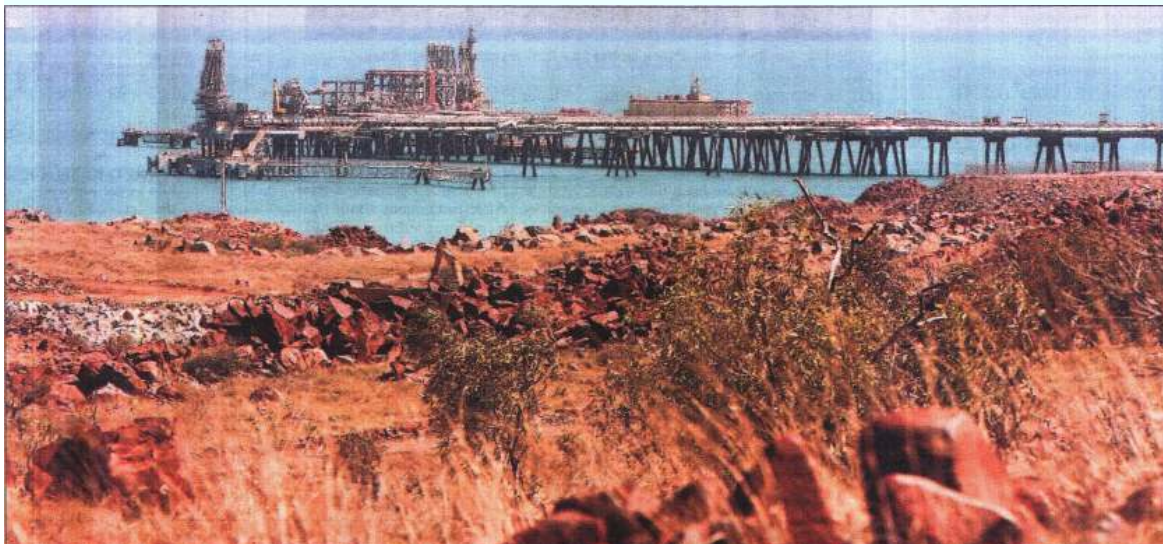
He has marketed potential Pluto trains two and three as available infrastructure for rivals to process their gas, and remains hopeful of making the final investment decision for Train 2 within a year.

Each train is likely to cost at least \$2.6 billion, based on the cost of the almost-completed fifth train at the Woodside-operated North West Shelf, and would allow Mr Voelte to achieve his group-wide goal of developing an LNG train every two years.

Pluto and Wheatstone are part of a \$100 billion wave of Australia-based petroleum projects under development or in the planning stages.

The Australian Petroleum Production & Exploration Association conference in Perth was told the pipeline includes 25 significant projects, such as the \$30 billion Gorgon LNG project, and has prompted industry analysts to warn that government red tape could stymie their development.

APPEA chief executive Belinda Robinson urged the Federal Government to ensure the "policy setting ... to bring all of the projects to fruition".



Critical mass: The multi-billion-dollar Pluto LNG project, under construction in the Burrup, could be expanded to service other fields — at a price. Picture: Sharon Smith