

Exploration campaign salve after difficult times

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By Janine Martin

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Perth-based Indian billionaire Pankaj Oswal is back in the news – and this time around, it is good news.

Mr Oswal’s private company – Oswal Resources has just inked a deal with energy player, Westralian Gas and Power to explore for gas in Western Australia.

Oswal Resources will fully fund exploration of WGP’s coal seam gas leases in the state’s south-west to bankable feasibility studies.

The deal, which will earn Oswal a 75 per cent interest, also includes conventional hydrocarbon exploration and underground coal gasification prospects.

Under the terms of the MoU, Oswal Resources and WGP have three months to finalise a joint venture agreement.

WGP holds a number of coal-rich mineral leases within the Wilga and Boyup Brooks basins, which are in the Collie coal mining district.

It also produces oil from several low-volume wells in Kentucky, in the US.

Mr Oswal is known in business circles for making the biggest single Indian investment in Australia – the \$700 million Burrup Holdings liquid ammonia production plant near Karratha.

Production at the plant, though, hit a major snag in June following the Apache gas explosion on Varanus Island.

Accordingly, Burrup advanced a major maintenance shutdown after struggling to secure enough gas to keep the operation going.

The timing of the explosion was also unfortunate for the company’s controlling shareholders – Mr Oswal and Yara International – who were in the middle of trying to raise up to \$502 million from its \$2.5 billion IPO.

Burrup was forced to withdraw its prospectus for the proposed IPO in early July.

However, even though Apache has resumed partial gas supply from Varanus Island, Burrup is still waiting for its share.

It has been in regular contact with Apache in order to try and get the minimum amount of gas needed to have the plant producing again.

The Mining Chronicle understands that at the very least, it has asked Apache for a small allocation of 3-5 tera Joules of gas in order to maintain essential services at the plant, which has had to rely on diesel and LPG.

A company spokesperson says that the allocation method for the gas now coming back online – who gets what – remains a mystery, and that there has been no publication of recipients.

Although Burrup Holdings is covered by insurance for interruption to supply, it is eager to begin producing ammonia again as spot prices for tradeable ammonia hit US\$850 (free on board) recently.

The independent consultant, Fertilizer and Chemical Consultancy who commissioned an ammonia pricing report for Burrup Holdings in the Burrup prospectus had price forecasts of US\$475 per tonne (FOB) for the financial year 2009-10.



The Burrup ammonia plant is the largest of its kind in the world, with a production capacity of 760,000 tonnes of liquid ammonia a year.