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Conoco, Karoon fire on Browse gas hunt

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ConocoPhillips and Karoon Gas Australia plan to this week spud the first well in a \$150 million drilling program aimed at discovering the latest massive gasfield in the Browse Basin.

In what is shaping as a pivotal year for companies with Browse Basin acreage, operator ConocoPhillips (51 per cent) and Karoon (49 per cent) are using the Sedco-703 semi-submersible rig for a 200-day program, starting with the Poseidon-1 well.

The partners have plans for up to five wells, with each likely to cost \$30 million.

The partners have high expectations, given their WA-315-P permit is close to the 12 trillion cubic feet Ichthys gasfield discovered by Inpex and Total and near Woodside Petroleum's fields, Torosa, Calliance and Brecknock, which are thought to contain about 18tcf.

Analysts have described the Browse Basin's high strike rate as a case of not "if they find gas, but how much".

Karoon's shares have risen sharply since bottoming at \$1.64 in October in anticipation of the drilling program, and closed at \$2.80 on Friday.

Although the company floated on the Australian Securities Exchange five years ago ostensibly as a coal-bed methane gas exploration company, the Browse Basin acreage and the fact ConocoPhillips is its partner has aroused investor interest.

The basin's prospectivity has attracted most of the world's big oil and gas companies, although the challenge of developing discoveries continues to be an industry concern.

Given the high level of environmental concern about gas processing

developments on the Kimberley coastline, the various Browse Basin acreage holders are increasingly considering either floating development options (like Royal Dutch Shell and Nexus Energy) or a tie-back to existing infrastructure.

Woodside will decide by the end of June whether to construct a pipeline to link its Browse Basin fields to existing liquefied natural gas plants on the Burrup Peninsula. ConocoPhillips already operates an LNG train in Darwin and has room to expand.

Should the WA Government's proposed Kimberley LNG hub concept fail, then ConocoPhillips would be expected to follow the lead proposed by Inpex and pipe any Browse Basin gas to Darwin.


ConocoPhillips and Karoon are still years off being able to make a development decision, assuming that Poseidon-1 and subsequent wells strike commercial quantities of hydrocarbon.

With the State's hard-rock industry closing mines and laying off thousands of workers, WA is hoping the oil and gas sector will provide some economic relief during the current upheaval by continuing its active exploration and development program.

Nexus, hard-hit by its failure late last year to secure Japanese trader Mitsui as a principal partner for its \$1 billion Crux project, remains confident of securing a new investor this quarter in what is likely to shape as the precursor to a final investment decision for the liquids play.

Nexus owns 85 per cent of Crux, which contains proven and probable reserves of 75.2 million barrels of light oil, but wants to offload about half its stake to reduce its risk profile.

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