

Darwin LNG prioritises backfill over expansion

Sally Bogle / Perth

Darwin LNG, one of Australia's oldest export plants, is expected to exhaust its supplies early next decade, meaning operator ConocoPhillips is searching for backfill gas.

CONOCOPHILLIPS, OPERATOR OF the Darwin LNG facility, is continuing to search for backfill gas that could supply the plant once its reserve base is depleted early next decade.

Operational since 2006, Darwin is Australia's second-oldest export plant after the North West Shelf project and has a nameplate capacity of 3.7 mtpa. In the current low oil price environment, it is also one of the few competitively priced Australian LNG suppliers and one of the few projects feasible for brownfield expansion in the coming decade, when Asia Pacific demand is likely to rebound.

A spokesperson from ConocoPhillips Australia told *Interfax Natural Gas Daily* the group's priority "is to ensure gas is available to backfill the existing train at Darwin LNG when capacity becomes available, currently estimated in 2022".

As operator of its offshore permits, Conoco is progressing with two development candidates for potential Darwin backfill: Caldita-Barossa, north of Darwin, and Greater Poseidon, northwest of Broome.

The Caldita and Barossa fields are in the Timor Sea, northeast of the Bayu-Undan field that supplies Darwin, and are being explored by Conoco (operator, with 37.5%), SK E&S (37.5%) and Santos (25%).

Greater Poseidon lies within the offshore Browse Basin, some 480 km north of Western Australia, and is being explored by Conoco (40%), Origin Energy (40%) and PetroChina (20%).

"We are focusing on innovative development solutions and capturing cost reductions to ensure a backfill project can compete for capital in this challenged economic environment. After evaluation of early feasibility and concept engineering studies, and further drilling results, which will likely be completed in 2017, we will decide if one of these potential projects should proceed to the next stage of a backfill development," the Conoco spokesperson added.



Darwin LNG is operated by ConocoPhillips and has a nameplate capacity of 3.7 mtpa. (Conoco)

"[Darwin] only has a 4-5 year reserve life and is expected to be depleted by 2022 or 2023. Production is expected to start declining around 2020, and the current contracts expire in 2022," Bethune added.

Regarding brownfield expansion at Darwin, Conoco said the option remains on the table but would require "a shift change in cost structure".

"We continue to investigate how cost structure changes could be achieved to allow expansion to become a competitive future option. Favourable results from our activities and from others in northern Australia, combined with the right economic conditions and cost structure, may potentially support future expansion," the Conoco spokesperson added.

Upstream possibilities

The Bayu-Undan/Darwin LNG project is a joint venture between Conoco (58%, operator), Santos (11%), Inpex (11%), Eni (11%) and Tokyo Timor Sea Resources (9%). LNG from the plant is exported to Japanese buyers Tepco and Tokyo Gas under a long-term contract.

The Bayu-Undan field is in the Joint Petroleum Development Area (JPDA) of the Timor Sea, with revenue split on a 90/10 basis between East Timor and Australia. In contrast, Caldita-Barossa is in Australian waters, making it a more compelling proposition for backfill than the JPDA's other undeveloped asset, the Greater Sunrise fields, which are estimated to hold more than 142 billion cubic metres of gas reserves.

The Greater Sunrise fields have been at the centre of a marine border dispute between the Australian and Timorese governments and ongoing tussles over development rights and options. Woodside has rejected East Timor's demand for an onshore processing facility to exploit the fields.

Closer to Australia, another option for Darwin backfill is the Petrel, Tern and Frigate fields, which make up the Bonaparte project operated by Santos and French group Engie, and which have certified 2C resources of 65.13 bcm, 9.9 bcm and 1.13 bcm respectively.

After initially considering using floating LNG technology at the Bonaparte fields, Engie and Santos announced in mid-2014 that they would instead "review alternative development concepts, including a pipeline connection to Darwin, to meet commercial requirements".

Reuters reported recently that Engie has hired Bank of America Merrill Lynch to handle the sale of its stake in the Bonaparte project, along with other E&P assets in Australia, Indonesia and Malaysia. Engie declined to comment on the sale.

Santos is planning to undertake two 3D marine seismic surveys in the Bonaparte Basin in 2017. "Along with its partners in the Darwin LNG project, Santos is exploring multiple feed gas options to backfill and expand the Darwin LNG facility, which has government environmental approval to expand the site up to 10 mtpa," the Australian group said in a statement. ■

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