

Horizon Oil aims to speed gas output

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Horizon Oil managing director Brent Emmett has revealed ambitions to bring forward the start of natural gas production from the explorer's Stanley project in Papua New Guinea to supply local mining projects in advance of a potential liquefied natural gas project later in the decade.

Mr Emmett said the Stanley project, slated to start production in early 2014, could include from the outset both condensates production as well as gas, which could be supplied to the Ok Tedi copper mine and to nascent local markets.

Most of the gas from the 355 billion cubic feet resource would still be re-injected awaiting a potential liquefied natural gas project planned by Horizon's partner Talisman Energy later in the decade, he added.

Interest in developing PNG's large gas resources has surged over the past two years, with companies eyeing opportunities in the local market as well as the export markets targeted by ExxonMobil's \$US15 billion PNG LNG project.

Oil Search, a partner in Exxon's venture, is studying an expansion in LNG and other potential gas projects, while US-listed InterOil is seeking a partner for its Elk-Antelope gas venture, which would also produce LNG. Royal Dutch Shell also has LNG ambitions in PNG, forging an alliance in August with government body Petromin.

Shell's entry "is sending a pretty strong signal about the jurisdiction as an investment destination," Mr Emmett said in an interview.

The Stanley venture, owned equally with Canada's Talisman, is expected to cost up to \$US300 million and is due to go before Horizon's board for approval late in December. Talisman's board will however only consider the investment early next year and a production licence is expected to be secured around mid-2012.

Mr Emmett said Stanley was probably the best place of four gas resources in the Western Province of PNG to supply Ok Tedi, which is seeking to switch to gas from expensive diesel for its power supply.

The Stanley project should also be the "prime option" to supply gas to Xstrata's Frieda River copper project, Mr Emmett said. Xstrata last week extended its feasibility study into Frieda River to examine energy supply alternatives to its tentatively proposed hydropower project.

Condensates from the Stanley project are likely to be sold to either InterOil's refinery in PNG or to Caltex Australia's Lytton refinery in Brisbane.

Mr Emmett said that Horizon's Elevala and Ketu gas and condensates deposits, in which Talisman also has an interest, could follow on "fairly quickly" from Stanley in a similar, larger project.

Horizon is in negotiations with banks for a loan of more than \$US120 million to finance Stanley and an oil venture in China. The facility would be backed by Horizon's reserves in PNG, China and its Maari venture in New Zealand.

The Australian Financial Review

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