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HD **Woodmac sees hope off India**
BY James Bourne
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The Great Australian Bight is a promising area for exploration, and India's Bay of Bengal could hold Asia-Pacific's next huge gas find, according to a leading upstream consultant.

"If you're a big **company** and you're interested in high impact exploration, then the Australian Bight Ceduna basin is a very lightly drilled, potentially very large new play, but of course risky, [it] might be gas, [it] might be **oil**," said the vice president for exploration research at UK-based analysts Wood Mackenzie, Andrew Latham.

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"You've got companies like Murphy, BP, Anadarko -- [and] Statoil has just joined in -- who've been there a while now, so first division explorers are really quite intrigued," he said of the Bight. Statoil has a 30% **stake** in a \$1.4 **billion** drilling program led by BP in the Ceduna Basin -- part of the the Australian Bight, a huge stretch of ocean off the central-southern Australian coast.

One frontier exploration block in the far west of the Bight was offered in Australia's 2014 offshore licensing round, which was announced last week. Turning to the Asia-Pacific region overall, and with the caveat that his forecast was "wildly speculative," Latham said the huge river-borne sedimentary deposits in India's Bay of Bengal pointed to the possibility of undiscovered gas fields.

"If you had to pick somewhere where another vast new gas play could emerge, that is one of the places that's big enough," he said. "There's a huge pile of rock there.... It's one to watch."

Latham was speaking in an interview with Platts held on the sidelines of last week's Australian Petroleum Production and Exploration Association's annual conference in Perth, Western Australia.

Less upbeat on Australian unconventional

While acknowledging that Australia's onshore Cooper Basin -- currently a hotbed of unconventional exploration -- holds promise, Latham urged caution. "The Cooper is one of those plays that is everywhere on the spectrum: there's existing conventional [gas] production, still a bit of exploration around that, then there's tight plays that are being tested, [that can] potentially use the same infrastructure, which is very helpful."

But the prospects for onshore shale exploration in Australia do not look as good as they do in Argentina's Neuquen Basin, Latham said. "All things being equal above ground, the subsurface in Argentina looks more interesting [than Australia]. Our forecast is 200 wells [will be drilled] in Neuquen [this year], which is rather more than you'll see in the Cooper." WoodMac has predicted 25 shale wells will be drilled in Australia this year.

"It's not enough wells to really prove a new play," Latham said. By comparison, the Edinburgh-based consultancy has predicted 400 shale wells will be drilled outside North America this year, including 60 in **China**, 20 in Russia and 20 in Saudi Arabia. "Compared with Argentina, compared with North America, the rate of [Australian shale] exploration ... is pretty slow. It's better here than most of Europe, but it's quite slow really," Latham said. In addition, Latham, noted, shale gas does not fit all explorers' ideal portfolio because costs are high and returns are low compared to **oil** plays.

However, Asia-Pacific's relatively high gas prices are some help, he said. "If you can't find oil then oil-indexed gas is your next best option," he said. In his APPEA conference presentation, Latham pointed to the unusually high number of recent Australian oil and gas finds which languish at "contingent" status, or uneconomical at current prices.

About 60-95% of Australian discoveries were classified as contingent over 2009-12, compared with less than 30% over 2003-08, he said. Discovery costs in Australia rocketed in the same period, from about \$1/barrel of oil equivalent in 2009 to about \$7/boe in 2012.

Globally, about 20% of new oil and gas finds are deemed contingent. "The issue in Australia has been that discoveries in the last three or four years have been quite small," said Latham, explaining that -- unless they were close to bigger fields -- developing such finds was uneconomical.

James Bourne

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