

HD Australia Pacific LNG faces court over TriStar coalseam gas claims

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Australia Pacific LNG, one of the country's three emerging coalseam gas-to-LNG projects in Queensland, is facing court action from Texas-based independent Tri-Star Petroleum, which is seeking the return of its **stake** in more than 60 tenements it sold to the joint venture in 2002.

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Tri-Star started legal proceedings in the Supreme Court of Queensland seeking to enforce its rights to revert to a 45% interest in the tenements, the **company** said in a statement Tuesday.

Australia Pacific LNG is 37.5% owned by Australia's Origin **Energy**, which is the operator of the upstream component of the project. Downstream operator ConocoPhillips also owns 37.5%, with **China's** Sinopec holding the remaining 25%.

The tenements at the center of the claim are located in the Bowen, Surat and Galilee basins in the eastern state of Queensland, which are being developed to supply gas to Australia Pacific LNG's liquefaction and export facilities on Curtis Island in Gladstone. The permits include the Fairview, Durham, Walloon, Condabri, Durham and Spring Gully coalseam gas fields, discovered and appraised by Tri-Star during the 1990s.

Tri-Star said it sold its interests to Australia Pacific LNG, at the time known as **Oil Company** of Australia, to operate and develop under a farm-out and reversion deed. Under the terms of the 2002 deal, the companies agreed that Tri-Star's rights to the coalseam projects would revert to Tri-Star when benefits and revenue to Australia Pacific LNG first exceeded agreed development costs.

"Relevant costs include capital and operating expenditures, interest and vendor and government royalty payments," Tri-Star said. "The Supreme Court has been asked to confirm that benefits received by Australia Pacific LNG and its affiliates from third-party contracts and arrangements have in fact triggered reversion."

Tri-Star claims the contracts and arrangements include the A\$9.6 **billion** (\$8.5 **billion**) paid in 2008 by ConocoPhillips for its initial share of Australia Pacific LNG, the US\$2.86 **billion** paid by Sinopec to the joint venture in 2012, and an agreement for the supply of 1 **million** mt/year of LNG for 20 years struck with Kansai Electric Power **Company** in 2012.

"We have not taken this decision lightly," Tri-Star president and managing director James Butler said in the statement. "We have been in discussion with APLNG for many years over these matters and have been unable to reach an agreement."

In a separate statement, Origin said it was "confident that reversion has not occurred." The **company** added that Australia Pacific LNG was reviewing the statement of claim and would respond "in due course."

Australia Pacific LNG is one of three LNG projects currently nearing completion on Curtis Island and is scheduled to begin producing in mid-2015. The A\$24.7 **billion** facility comprises two production trains with total capacity of 9 **million** mt/year.

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CO aulngj : Australia Pacific LNG Pty. Ltd. | boral : Origin Energy Ltd | cpetc : China Petroleum and Chemical Corp (Sinopec Corp) | philp : ConocoPhillips | chpc : China Petrochemical Corp

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i1300004 : Liquefied/Compressed Gas | iexplo : Natural Gas/Oil Exploration

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