

More comments on Bernard Collaery's "Oil Under Troubled Water"

March 2020

Production and sales of Bayu Undan and Wickham Point petroleum products, particularly natural gas, have been shrouded in a veil of secrecy since day one, in 2004. I can't imagine that there is no reason for such secrecy.

ConocoPhillips provides no record, other than vague annual regional data, and Timorese records are lamentably deficient, as we have noted since at least 2012. Likewise, the Commonwealth of Australia could not provide records, and, by their own admission, they have none.

I sincerely believe that ConocoPhillips, as an international corporation, moreover U.S., carefully avoids doing anything illegal. Their actions are most probably according to strict contractual obligations, the detail of which we don't know.

If the Timorese Treasury was robbed, as I believe it was, and on more than one occasion, the culprits can be no other than José Alexandre "Kay Rala Xanana" Gusmão and perhaps also Alkatiri, either by scheme or incompetence. There has been a cozy relationship between ConocoPhillips and Xanana for almost 20 years, as the obvious electoral campaign financing would exemplify.

I doubt that talking to Ms. Almeida would be beneficial, and I even think it would be dangerous.

At this point, I think we should avoid proffering any still unproven accusation against anyone.

However, I believe our requests should be, very candidly:

1. Request ConocoPhillips to provide their own copy of all unadulterated Bayu Undan and Wickham Point contractual arrangements;
2. Request ConocoPhillips to provide their own copy of all unadulterated Bayu Undan and Wickham Point production records;
3. Request ConocoPhillips to provide their own copy of all unadulterated Bayu Undan and Wickham Point sales records;
4. Request ConocoPhillips to provide their own copy of all unadulterated Bayu Undan and Wickham Point export shipping records;

5. Decline any suggestion by ConocoPhillips to request said documents from East Timorese authorities;
6. Ask APPEA (Australian Petroleum Production & Exploration Association) the reason for their abruptly stopping in 2015 to publish their (until then) excellent quarterly reports of Australian production figures, including Bayu Undan's. Until 2015, Australian production was a model of transparency, but it became totally opaque after their decision to have a third party company, EnergyQuest, charge \$5,000 for adulcorated data. Was ConocoPhillips behind the decision?

In doing so, we should carefully avoid involving any of the opinionated and politically tainted activists, politicians, journalists, and authors, who have polluted the issues for several decades. Otherwise we will lose all credibility. Our investigation needs to be absolutely impartial. Involving any of the hagiographers, xenophobes, xenophiles, or autochthonophobes would destroy the effort.

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There is little doubt in my mind that ConocoPhillips' behavior in Australia is far from being exemplary. However, attacking them on the wrong front is going not only to result in a total exoneration of ConocoPhillips on the helium matter, but will also ridicule the press and the self-proclaimed pro-Timorese activists, remove whatever credibility was left to them, and, much more importantly, will render almost impossible any future investigation of the real ConocoPhillips derelictions with regard to the Bayu Undan project. Not only will the Don Quixotes destroy themselves, but they will also destroy any future attempt to confront the company about real and serious matters.

The real issues are:

1. What are the details of the Bayu Undan contract?
2. How was production tallied and why did ConocoPhillips allow Timorese figures to be so grossly erroneous?
3. How come production figures are still unknown from ConocoPhillips, except through the reporting of partial owner Santos and the tallying of LNG carriers available from the Port of Darwin authority, which reveal serious discrepancies?
4. Will detailed production figures be finally disclosed, including to the Australian Government, which seems not to know them?
5. How was and is natural gas really valued as far as East Timor is concerned?
6. How was the LNG plant cost-recovered, if it was indeed?

7. Contrary to what the article states, the Wickham Point LNG plant is connected to the Weddell Power Station (owned by "*Territory Generation*"), which itself is connected to the Amadeus Pipeline (running from the Alice Springs region), and the Blacktip/Wadeye offshore gas field on the Western Australia/Northern Territory boundary.

For what purpose was the Wickham Point to Weddell pipeline built around 2005? Was it to divert Bayu Undan gas to the Weddell power plant, or to liquefy excess gas from Blacktip? Was either of the options approved by East Timor, considering that ConocoPhillips has ignored all efforts to divert some of the Bayu Undan gas to East Timor for local electricity production? How was East Timor compensated for such flows?

8. We understand that experienced ConocoPhillips' negotiating skills were probably far superior to those of the proxies for East Timor, but:
 - a. Why did East Timor chose inexperienced, although renowned, activist international negotiators for the negotiation of Bayu Undan in the early 2000s?
 - b. Why was there no adult on the face of the planet, almost twenty years later, to warn East Timor and its proxies that they were being robbed like children of their candy when they paid ConocoPhillips and Shell US\$650 million for their by now valueless share of the Sunrise and Troubadour fields? For a reportedly impoverished nation of a little over one million people, that's a lot of money. Who profited from the sale? What was the total valuation of commissions paid to negotiators, bankers, and Timorese entities and politicians?

Another serious issue that will have to be discussed at one point is why the 2018 Treaty was hailed as huge vindication for East Timor when in fact it was a distressing defeat and loss? Why did commentators around the planet laud a fictional Timorese victory but apparently failed, or neglected, to read and comprehend the wording of the treaty?

When the decision was made to build a helium separation facility in Darwin, helium sold for \$50 per thousand cubic feet, while investment level was \$50 million. At design capacity of 150 million cubic feet per year, annual revenue was \$7.5 million and cash flow could have been about 40% of that at most, or \$3 million. It would have taken 20 years to pay for the initial investment. Only a specialist such as Linde would be willing to undertake the project. The project was anything but a cash cow and until then helium was waste indeed. No one could foresee the increase in helium prices. It is only because the governments of the Northern Territory and of the Commonwealth were concerned about discharging helium to the atmosphere that the plant was built.

While revenue from helium was less than \$8 million per year in 2010, revenue from gas and condensate/LPG was \$16 million per day. Would anyone in one's right mind believe that \$2 billion in annual revenue can be obtained from a \$50 million facility?

There is not a single section in the article that does not make me cringe. Each paragraph is stringent lunacy.

The best thing that could happen to disreputable ConocoPhillips was a ridiculous attack about a non-existing issue that would remove all credibility from all future inquiries. I doubt ConocoPhillips' managers could have imagined such an unexpected windfall in their wildest dreams.

Won't Collaery and the journalists be lucky if they don't end up being sued by ConocoPhillips for libel and gross defamation?

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