Bass Strait set to cover gas shortages

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Matt Chambers

Resources Reporter
Melbourne

VETERAN petroleum geoscientist Noel Newell says looming east coast gas shortages and price rises have thrown up more opportunities for the oil and gas fields of Bass Strait to keep growing.

Newell, a former head of Bass Strait exploration for BHP-Billiton, reckons 3D Oil, the junior he now manages and owns 16 per cent of, is on to something the industry has overlooked in the offshore Otway Basin as the gas outlook has changed.

“The Otway Basin wasn’t very sexy at $3 gas, and consequently the industry largely forgot about it while east coast gas prices were rising,” Newell says on board the 92m-long Polarcus Asima, a specially designed Norwegian-owned vessel 3D and partner Beach Energy have contracted for three weeks to conduct pre-drill surveys of the Bass Strait sea floor.

“It is hard to know where else on the east coast you can put your hand on world-class-sized structures in a known gas province.”

The targets Polarcus Asima is investigating will be studied through what the industry calls “3D seismic”, which involves shooting blasts of compressed air underwater and measuring sounds that bounce back from the sea floor to determine where gas could be trapped. And they are big.

But illustrating why 3D’s market value sits at around $20 million in a nervous junior market, it is a high-risk venture in a frontier exploration area where globally only about one in 10 exploration wells yields a discovery.

It is not just Newell and 3D taking a punt on what the explorer calls the Flanagan project in the Otway Basin. Adelaide mid-tier Beach Energy has taken a 20 per cent stake in the project in return for putting up $3m of the $12m-$13m seismic boat costs 3D and Origin Energy (conducting a separate survey) will share.

Polarcus Asima was docked at Port Melbourne last week and has headed west to conduct a week-long seismic survey off the Victorian coast near the Twelve Apostles for Origin. Then it will undertake three weeks' work on the 3D acreage west of King Island.

The looming gas price rises on the east coast — representing a crisis for some manufacturers and an opportunity for anyone with, or about to find, gas — has been well documented.

Three big Gladstone LNG export plants, being built at a cost of $70 billion, are expected to suck up all available gas in the pipeline-linked east coast states.

This will force domestic customers, used to cheap gas, to pay export prices and compete with Chinese and Japanese buyers.

Recent prices of less than $4 a gigajoule are expected to hit between $7 and $9.