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**Testimony
On
"Alaska's Gas, Alaska's Future"
House of Representatives
Special Committee on Oil and Gas
Alaska State Legislature
April 6, 2001**

By

**Christy McGraw, Backbone
Mike Metz, M. C. Metz and Associates
(Accompanies Power Point Presentation on CD)**

Mr. Chairman, members of the Committee, we'd like to thank you for this opportunity to discuss what may be Alaska's most important resource management decision for this century.

For the record my name is Christy McGraw. I am director of a group called Backbone, known to you all from our work on the BP/Arco merger. My colleague testifying with me today is Mike Metz. Mike is an independent consultant with the distinction of being one of the design and construction supervisors on the Trans Alaska Pipeline at the age of 30. Mike is an engineering geologist with over 28 years of pipeline design experience in cold regions including Alaska, Russia, and China. He has design and construction experience on seven cold regions pipelines that were actually built and many times that on project feasibility studies. He has spent much of the last 21 years designing and evaluating Alaska's natural gas pipeline projects including ANGTS, AAGS, ACETS, and TAGS.

This is the third time that Alaska has contemplated development of its vast natural gas resource. My colleagues and I embarked on our study "Alaska's Gas, Alaska's Future," to attempt to understand all the options at hand and to develop a way for all Alaskans to understand the many monumental decisions that will be made before we realize our first dollar in gas revenues.

Slide #3 - The first point I wish to make here is that contrary to what Alaska's oil producers would have us believe, Alaskans own this asset. You are Alaska's Board of Directors. You have responsibility for making investment decisions on what may become a \$20-40 billion asset. We, as your shareholders, look to you

for leadership and action in guaranteeing that we develop this asset to our maximum benefit now and into the future. We appreciate Representative Croft's reminder and we appreciate your work on this issue during this session and look forward to a successful natural gas development project.

Slide #4 - We began research on this report last fall after Governor Knowles announced his decision to support the Alaska Highway Project. We asked ourselves two fundamental questions, "Why now?" and, "Why that route?" We first discovered that those who forecast in this field say that US demand will grow....

Overall we found there was strong demand for gas in both the lower 48 and in the Pacific basin. In order to simplify the discussion on both markets, we have converted all quantities to equivalent million tons of LNG per year (MTA.)

Slide #5 - We established study objectives that included three primary deliverables.....

Slide #6 - Our investigations covered.....

Slide #7 - We developed a framework for discussion.

Slide #8 - We developed a list of gas development objectives that seemed to make sense. They included.....

Slide #9 - We next developed a set of gas project metrics from which we constructed 4 models.... These metrics comprise a specific list of rating elements. The numbers we are presenting reflect updates since our last printing.

Slide #10 - We applied 4 separate models to each project option.....

This gave us basic construction and operating costs.

Then we looked at Alaska's gas markets.

Slide #11 - We began with the Lower 48 United States.

Slide #12 - As most of us have learned over the past few months, three factors in addition to raw construction and operating costs affect project viability supplies in competition with our gas, demand and its components, and price - a factor balanced between supply and demand.

Slide #13 - Strikingly, there are more than 1,200 trillion cubic feet of natural gas resources (that's like talking about 27 billion tons of LNG) estimated available in a combination of Canada and the lower 48. USA Today last week reported a new project to develop approximately 26T in coal bed methane in Wyoming alone. All of this gas is closer and cheaper to get to market by pipeline than Alaska's gas.

The next few slides were taken from a recent presentation by staff at the Department of Energy's Energy Information Administration.

Slide #14 - We looked at the forecasts for demand - consumption vs US production. This is a very positive outlook with growth in imports required of more than 52 million tons per year - 2.3T- by 2020. But as we've seen in the past two months, market forecasts like this one and others bring greatly increased competition.

Slide #15 - Wellhead prices are some of the highest ever. There is something interesting to note about this chart. Look back at the curve we experienced last time we attempted to commercialize Alaska's gas in 1982.

What happened then is the same thing happening as we speak. When prices are low, producers do not invest in exploration and new production. This creates a shortage as demand increases. As shortages increase, prices do as well. When prices rise, exploration heats up.

Slide #16 - Last December, there were nearly 900 rigs drilling gas wells, more than double the number drilling two years ago.

Slide #17 - But probably the most important development as far as Alaska is concerned, Phillips, Chevron, BP, Shell, and El Paso Gas have proposed projects to deliver large amounts of LNG to the US West Coast. These developments, all less than 2 weeks old, have already identified a minimum of 8.2 MTA to this market. We are losing what should have been Alaska's prime market in this time of shortage - California and Mexico. *In fact, this 8.2MTA added to the 7.7MTA Alaska LNG project producers have said is "market viable" would serve to implement Alaska's most favorable gas commercialization project.*

But more troublesome for the Alaska Highway Project, these new imports, combined with BP's new deliveries to the East Coast and new projects in the middle east, and a new Canadian project on the Scotian Shelf, will absorb more than 70% of forecast increases in US import demand for the foreseeable future.

With this outlook, what happens when an Alaska Highway gas pipeline dumps 4-6 bcfd from Alaska through Canada onto the US domestic market? Our research shows this will displace the growth of domestic supplies for a period of 3.5 years.

Slide #18 - The Energy Information Administration also forecasts these developments could have a negative impact on natural gas prices. The EIA anticipates that prices will recover to a level of about \$3.10 by 2020.

Slide #19 - There a number of agencies and trade organizations that forecast prices. These forecast that prices will dip to a low of about \$2.50 by 2005. No one we have interviewed expect prices to remain at present levels.

Slide #20 - For those who believe that long-term prices will support a viable project for a 4,000-mile pipeline to the lower 48, we developed the following graph that shows state revenues at a variety of natural gas prices.

Slide #21 - We then investigated Asian markets for Alaska LNG using the same methodology - Supply, Demand and Price.

Slide #22 - Supplies from Qatar, Oman, Indonesia, Australia's Northwest Shelf, and new projects the E. Timor Sea represent resources of 640 Tcf or 15 billion tons - LNG equivalent.

Slide #23 - Japan, South Korea, Taiwan and China will comprise the bulk of increase in demand - 127 MTA by 2020.

Slide #24 - Recent prices as of March 8, 2001 averaged \$4.88. Clearly, according to our calculations, a level at which Alaska could realize significant revenues. These are actual prices in January 2001. Looking at these margins, we ask the question, "Why isn't the administration just as interested in Asian markets?"

Slide #25 - This next slide shows, a revenue projection at a variety of price levels for a 13.8 MTA LNG project.

Slide #26-28 - So to summarize the three main project options - The Alaska Highway Route, the Mackenzie Delta Route (Over the Top), and the Alaska Tidewater Route, in terms of cost and benefit...

Slide #29 - Summarizing wellhead comparisons and illustrate the potential for LNG to West Coast markets the important thing to remember is that the LNG projects ship approximately half the gas and produce double the wellhead with a West Coast market price of \$4.08/mmbtu.

Slide #30 – But is wellhead enough? We think not...

Alaska must address its other priorities before selecting a project....

- A natural gas industry**
- In-state use of our gas**
- Jobs**
- Maintaining our market options**
- State ownership of the project**

Slide #31 - With a producer owned and operated project, we face some of the same anti-trust issues as we faced in the merger between BP and Arco – access to infrastructure, pipelines and facilities. If we intend to develop a lasting natural gas industry how will we guarantee that our independent producers can get their product to market?

Slide #32 - Our study has generated much concern about gas for Southcentral Alaska. Others including Anchorage Economic Development Council and Northern Economics have authored studies on supply and demand.

They calculate that supplies will not be able to accommodate peak demand by 2004 and normal daily demand by 2006.

Slide #33 - As part of our project costing models, we have developed costs of service for transportation from both project options in order to help us understand the value of North Slope gas to continued economic viability for Alaska.

Slide #34 - Gas for all Alaskans.....

Slide #35 - Jobs...

Slide #36 - But critical questions remain. Who is responsible for the various studies and assessments that must be done? Who is qualified to develop the highest level of information required and who is qualified to put it together? Who will decide? This is a highly technical and financially complicated project that should not be subject to hasty decisions.

Slide #37-39 - Additional investigation is warranted in the areas of:

- Cook Inlet supply**
- Community impacts**
- Alaska's tax regime**
- Alaska hire**

Anti-trust issues
Defining "economic."
Subsidizing Mackenzie Delta gas
Trading hubs to guarantee transparent pricing

Slide #41 - Recommendations:

Order complete best interest findings.

Support legislation that levies a reserves tax, prevents warehousing, and guarantees Alaskans jobs.

Implement emergency measures to curb manufacturing and export gas use in Cook Inlet until North Slope supplies become available.

Slide #42 - Summary:

Our calculations strongly suggest that Alaska's gas projects are viable. To varying degrees all projects evaluated produced a positive cashflow at prices that are far below current prices and considered somewhat conservative by many. And as we have seen over the past few months, there are good markets and buyers for Alaska's gas.

It is our contention that we have been laboring under false pretenses. The entry of BP, Phillips, Shell, and Chevron – all importing their gas from locations much further away than Alaska – suggests that our gas has again been set aside and may once again become stranded.

We must ask ourselves, "When the producers say "not economic" what do they really mean?"

- ✓ Do they have other projects that they want developed first in markets that Alaska gas could now serve?
- ✓ Is Alaska's political regime so stable that there is no threat of forfeiture of resources or infrastructure?
- ✓ Because Alaska has imposed no penalty for warehousing, Alaska gas can be deferred?

Like it or not, we are in the oil business. We must learn to compete. The state needs its own independent experts, experts not politically beholden to any one elected official, beholden to the best interests of Alaska.

It has been said that this decision will be "political." Decisions can only be political when those involved don't know or understand the choices. And it is in the best interest of those who wish to influence the outcome to obscure or obstruct the facts.

The purpose of our efforts is to make the facts and choices known to all Alaskans in order to promote free and open dialog before any decision is made.

Slide #42 - Hire the professional help needed.
Conduct a public process.....
Select and expedite.....

Slide #43 - In closing...

We know that if it is up to informed and involved Alaskans, we will make the right decisions. The question is "Why should any other decisions be tolerated?" Future generations will evaluate our performance.

Most of you have a copy of our study. If you don't and would like one, please contact me or consult our website.

Again, Mr. Chairman and members of the Committee we'd like to thank you for your kind attention. And we'd like to thank members of both bodies for their hard work on this issue during this session.

We will be happy to take your questions.



Alaska's Gas, Alaska's Future

Backbone - 2001

Alaska North Slope oil producers
do not own the gas.
We allow them to rent it!

"Alaska and Alaskans own the natural gas reserves of the state....It would then be our duty as Alaskans to demand a meaningful part in such important decisions as the pipeline route, the ownership structure, and the impact on jobs and state revenues. I take that duty seriously."

Rep. Eric Croft

So what's all the flap about?

By 2020

US imports will increase by 52 million tons per year.

Asian demand will increase by 127 millions per year.

It's time for Alaska's Gas!

Study Objectives

- Promote open and reasoned dialog on gas development for the maximum benefit of Alaskans.
- Provide comparative analysis based on a uniform application of project design and economic criteria for ALL project alternatives.
- Suggest a framework for discussion.

Research Topics

- ✓ Past, present & forecast economic data for supply, demand, and pricing - pipeline natural gas & LNG.
- ✓ Comprehensive analysis of construction and operating costs.
- ✓ History of previous attempts to commercialize Alaska's gas.
- ✓ Alaska's bottom line: How can we Alaskans be assured we're getting a good deal.

Framework for Discussion

- ✓ What do the data say?
- ✓ What's at stake for Alaska?
- ✓ We've been through this before, what's different this time?
- ✓ What have we learned from past experience?
- ✓ How do we get the job done?
- ✓ How do we measure success?
- ✓ Who decides?

Gas Development Objectives

- ✓ Maximize revenue to Alaskans.
- ✓ Provide for maximum jobs to Alaskans.
- ✓ Provide for stable long-term economic development - *a natural gas industry*.
- ✓ Guarantee gas to Alaskans.
- ✓ Provide for access to multiple markets.
- ✓ Provide for transparent pricing.
- ✓ Provide for transmission system expansion.
- ✓ Provide for at least 12.5% state ownership.

Project Metrics

- Capital Cost
- Cost of Service
- Forecast Price - Standard and High
- Wellhead Netback
- Total Gas Required
- State Revenues - 30 years
- State Revenues on Proven Reserves - 35T
- Instate Use of Gas
- Jobs - Construction and Permanent

Four Models Consistently Applied to each project:

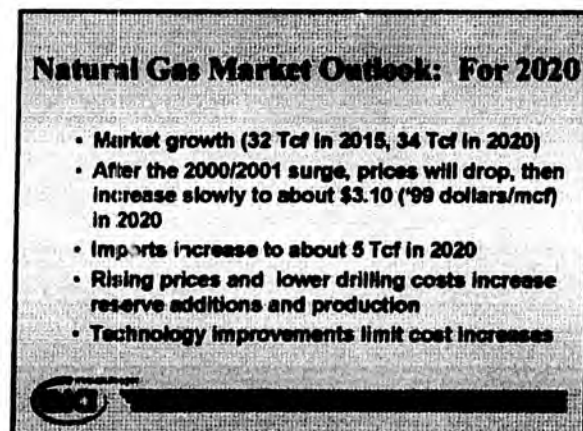
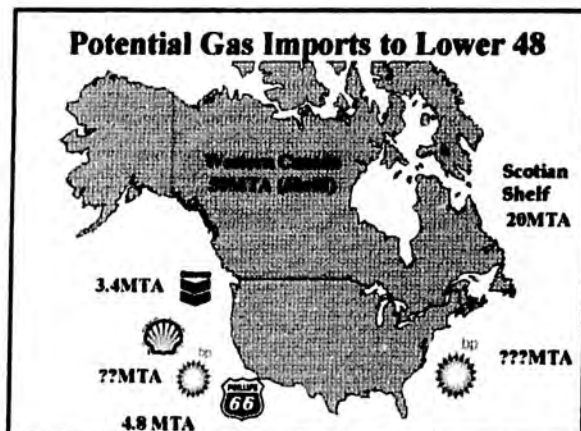
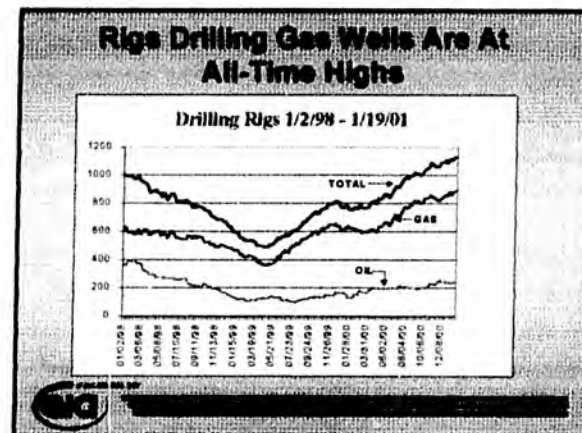
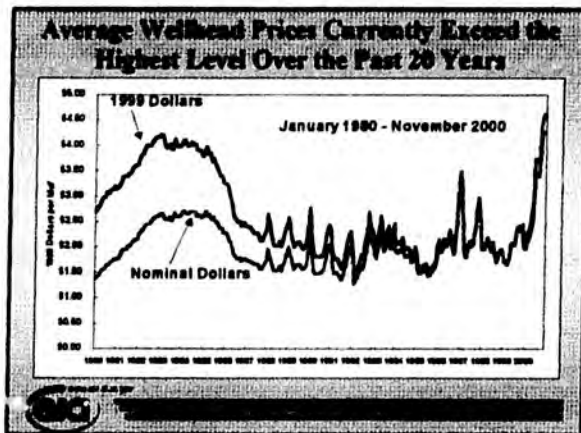
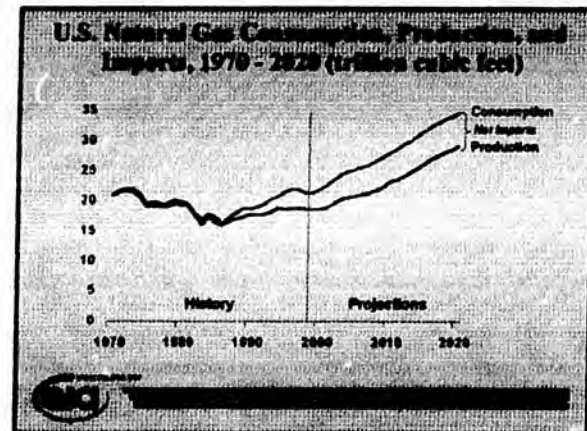
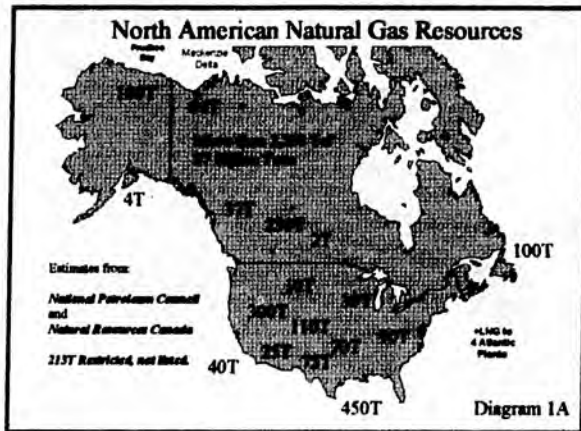
- Hydraulic Model - Evaluates pipeline diameter, pressure, and compressor station requirements for gas flow rate.
- Cost Estimating Model - Estimates costs of gas conditioning plant, pipeline, compressor stations and where applicable LNG plant and marine terminal. Calculates total system fuel requirements.
- Cost of Service Model - Estimates the cost of service for each project component including gas conditioning, pipeline and compressor stations, LNG Plant, and tariff to final destination.
- Potential State Revenue Model - Based on assumed average price (2007-2011), estimates state revenues from sale of royalty gas and taxes based on current fiscal system.

What are Alaska's markets?

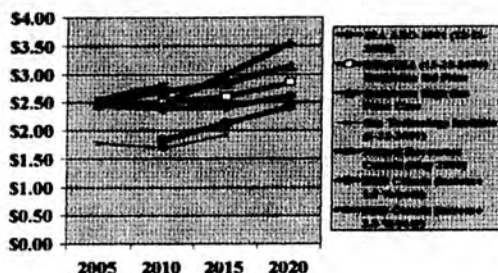
- Lower 48 via 4,000 mile gas pipeline.
- Lower 48 via 800 mile pipeline/LNG .
- LNG to Asia.
- LNG to Mexico.
- In-state use.

The Lower 48

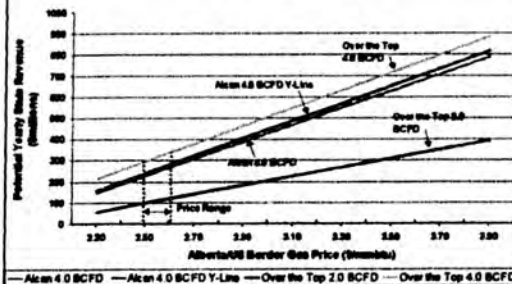
- Supply
- Demand
- Price



Natural Gas Price Forecasts - Canadian Border Price (\$/mmbtu)

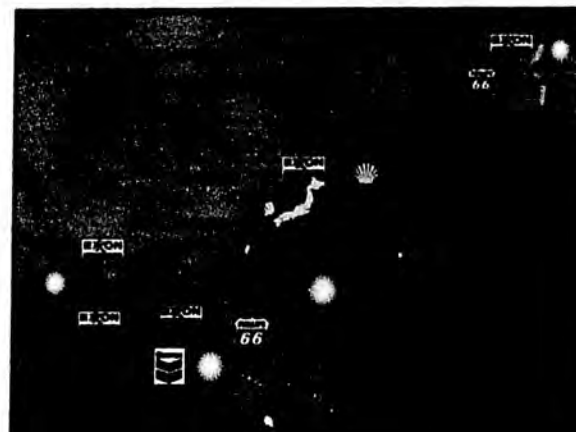


Comparison of Lower 48 Options with Price and Potential Yearly State Revenues

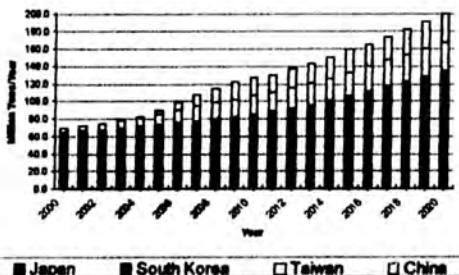


Alaska LNG

- Supply
- Demand
- Price



LNG Demand Forecast for Pacific Asia



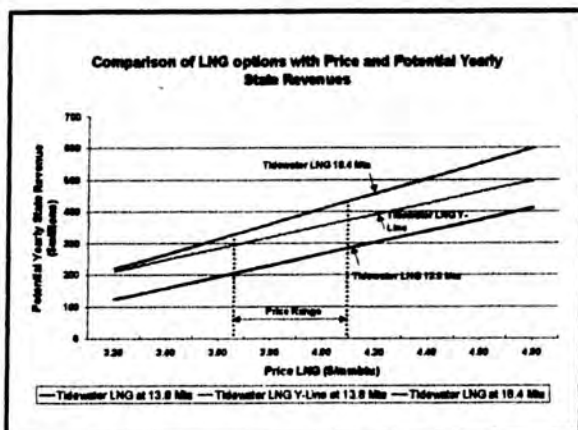
Standard & Poores Forecast for Asian LNG Demand
An Increase of 127 Million Tons Per Year by 2020

LNG Prices - Japan Buying

Seller:

• Alaska	\$4.54
• Australia	\$4.89
• Indonesia	\$4.98
• Oman	\$5.17
• Qatar	\$5.05
Average	\$4.88**

** January 2000 prices based WGI March 8, 2001



What's the Cost/What's Alaska's Cut? Alcan Highway Route

- 4,000 mile pipeline - \$15.5 Billion (est.)
- Shipping 4 bcfd
- Total gas required over 30 years - 45.6T
- Revenues \$275 Million/yr. @ \$2.60 (\$3.08 in Chicago)
- Cost of Service to US/Can. Border - \$2.11 (plus \$.48 to Chicago)
- Wellhead Netback/mmbtu - \$.49

What's the Cost/What's Alaska's Cut? Mackenzie Delta Route

- 3,800 mile pipeline - \$10 - \$12 Billion
- Shipping 4 bcfd - 1022 gas
- Total gas required - 30 years - 45.6T
- Revenues \$338 Million/yr. @ \$2.60 (\$3.08 in Chicago)
- Cost of Service to US/Can. Border - \$1.95 (plus \$.48 to Chicago)
- Wellhead Netback - \$.65

What's the Cost/What's Alaska's Cut? Tidewater LNG Route - Asia

- 800 mile pipeline - \$7.3 - 10.37 Billion
 - Shipping 1.82 - 2.7 bcfd
 - Total gas required - 30 years - 21-28T
 - Revenues \$300-429 Million/yr. @ \$4.08 (delivered Tokyo)
 - Cost of Service to Tidewater - \$3.17-2.98
 - Wellhead Netback - \$.91-1.10
- Note - These projects have greater revenues and ship approximately 1/2 the gas.*

Estimated Wellhead Comparison

	Lower 48	Asia
• Tidewater (18.5MTA)	\$1.32	\$1.10
• Tidewater (13.8MTA)	\$1.13	\$.91
• Over the Top (4bcfd)	\$.65	
• Alaska Highway (4bcfd)	\$.49	

LNG shipments to California cost less (\$.22) because they require fewer, less expensive ships and travel 2/3 the distance.

But wellhead is not enough for Alaska!!

- Natural Gas Industry
- Instate Use of Gas
- Jobs
- Market Options
- State Ownership

A New Natural Gas Industry?

- Current Known Reserves - 35 TCF
- Potential Reserves - 100 TCF

The chosen project must provide open access to facilities, pipelines, and marketing at non-predatory rates for independent producers and the State, and guarantee transparent pricing.

Gas for Alaska - Southcentral

- | | | |
|--------------------------------|-----------|------|
| • LNG Manufacture | 81.41bcf | 36% |
| • Ammonia and Urea Manufacture | 53.97bcf | 24% |
| • Electrical Power Generation | 36.19bcf | 16% |
| • Gas Utility Use | 31.89bcf | 14% |
| • Field Operations | 19.03bcf | 8% |
| • Rental (unaccounted for) | 3.67bcf | 2% |
| • Yearly Gas Use - Cook Inlet | 226.16bcf | 100% |

Studies show current Cook Inlet gas reserves and production unable to meet peak demand by 2004 & average daily demand by 2006!! (AEDC)

North Slope Gas to Southcentral

Estimated COS (tariff) in \$/mmbtu:	Flow Rate (million CFD)	
	400	200
Tidewater (13.8 MTA) - Glennallen	\$1.72	\$2.28
Tidewater (18.58MTA) - Glennallen	\$1.49	\$1.97
Alaska Highway (4 bcf/d) - Delta Junction	\$1.55	\$2.37
Alaska Highway (4 bcf/d) - Livengood	\$1.87	\$2.73

16" 2200psi spur line.

Gas for the Interior & Southeast

- Small LNG Plant on the Yukon.
- LNG Barged to Southeast from Valdez or Cook Inlet.
- Pipe and Utility Gas for Fairbanks and the Railbelt.

Alaska Jobs

» Construction Operations

- | | | |
|-------------------|-------------|---------|
| • Alcan Route | 8,000-9,000 | 300-400 |
| • Mackenzie Route | 2,500-3,000 | 150-200 |
| • Tidewater Route | 8,000-9,000 | 500-550 |

What about jobs for Alaskans in the feasibility phase?

Questions??

- Who is responsible for what?
Legislature?
DNR, DOR, DOL?
Alaska Highway Gas Policy Council?
- What level of information is to be developed by each?
- Who decides and implements?

More Areas for Investigation

- Southcentral Alaska is running out of natural gas. How do we prevent having to import LNG from Asia or revert to some other fuel in order to maintain our economic viability? What emergency measures are in place to protect Alaskans?
- TAPS construction created great impact on Alaska communities. Who is evaluating this in relation to gas development? In relation to tax concessions and incentives?

- Alaska's current tax regime has been regarded by some as "regressive." Who is investigating changes that could be advantageous to both gas pipeline development and Alaskans?
- The producers Consortium group will conduct its primary studies out of offices in Houston, Tx. Who is examining Alaska hiring practices, guaranteeing that Alaskans get the jobs for which they are qualified?
- In order to guarantee maximum return we must have transparent pricing. Who is analyzing the advantages of a trading hub?

- Alaska producers are gaining increasing holdings in US electrical power generation. Who is investigating anti-trust issues in gas development - their primary fuel?
- We've been told Alaska gas projects are not "economic." Define "economic." How much and for whom? What's the real "hurdle" number?
- Alaska gas acts as a "far anchor" for Mackenzie Valley gas. What is the subsidy? Who benefits?

Recommendations

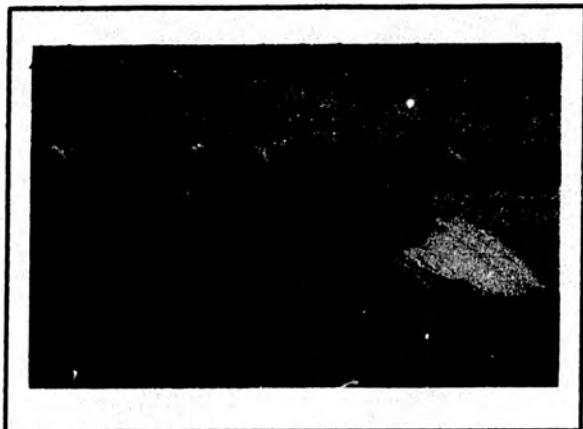
- Order comprehensive best interest findings on:
The Right Development Option
State Ownership and Investment
Creation & Ownership of a Marketing Hub
In-state Gas Requirements, Opportunities
- Support legislation that levies a Reserves Tax, reviews all hydrocarbon leases that are currently warehousing our gas, and mandates an all-Alaska project.
- Implement emergency measures for curbing export and manufacturing gas use in Cook Inlet until North Slope gas becomes available.

- Examine new methods for commercializing our gas that include partnerships with lower 48 and Asian gas users.
- Guarantee a gas sale to the best project.
- Guarantee multiple market options.
- Investigate incentives for development.
- Make all agreements & contracts public.
- Avoid the tax and tariff pitfalls of TAPS.

In Summary

- Hire the independent professional expertise required to examine all options using a common methodology.
- Conduct a public process that informs and is informed by discussion, not one-way testimony.
- Select and expedite the option that guarantees Alaskans:
Maximum Markets
Maximum Revenues
Maximum Jobs
Maximum Use of Alaska's Gas

• Mike Metz



A Few Recent Headlines

ExxonMobil Announces World's Largest LNG Sale and ...

IRVING, Texas, Apr 4, 2001 (BUSINESS WIRE) — Exxon Mobil Corporation (NYSE:XOM) announced today that Ras Laffan Liquefied Natural Gas Company Limited (II) (RasGas), a joint venture between Qatar Petroleum (70 percent) and ExxonMobil (30 percent), has concluded the first phase of the world's largest LNG Sale and Purchase Agreement (SPA) with Petronet Ltd. of India.

UPDATE 1-US has potential for 63-yr natgas ...

WASHINGTON, April 4 (Reuters) - The United States has enough natural gas to generate electricity and keep computers and businesses humming for six decades, but only if Congress opens more federal lands to drilling and more pipelines are built to deliver it, an industry report said on Wednesday.

The United States had natural gas resources totaling 1,258 trillion cubic feet (Tcf) at the end of 2000, much more than previously thought, according to the report. That amount is roughly equal to a 63-year supply based on current rates of production.

CNOOC Selects An LNG Supplier

BEIJING, Apr 04, 2001 (AsiaPort via COMTEX) — China National Offshore Oil Corp (CNOOC), the major Chinese partner of Guangdong's US\$600 million liquefied natural gas (LNG) project, said it has yet to select an LNG supplier.

This week CNOOC and the other five Chinese sponsors will be negotiating with British Petroleum (BP) on a joint venture for the LNG project.

China's first LNG project, which is located in southern Guangdong's Shenzhen, consists of a terminal to transfer imported LNG into a 300-kilometre pipeline system.

The terminal is expected to handle 3 million tons of imported LNG annually by 2005, and a further 2 million tons by 2008.

Expansion Work On Nlng Plant Begins

Lagos, Apr 03, 2001 (This Day/All Africa Global Media via COMTEX)— Work on the engineering design and specification of the NLNG Plus Project has started at Finima in Bonny Island in Rivers State. The contract, which was awarded to the consortium of TSKJ is for a two train expansion of NLNG's Liquefied Natural Gas (LNG) complex. The work is expected to be completed in 2001.

BP plans to build U.S. LNG import terminals

HOUSTON, April 3 (Reuters) - Oil giant BP Amoco Plc<BP.L> said on Tuesday it has tentative plans to build up to three new import terminals for liquefied natural gas (LNG) to help meet growing demand for natural gas in the United States.

"We are looking at probably two or three opportunities to bring LNG into both the East Coast and potentially the West Coast as well," Tony Fountain, president of BP North America Gas & Power told reporters at a Ziff Energy conference in Houston.

CMS gets okay to expand Louisiana LNG terminal 40 pct

SAN FRANCISCO, April 3 (Reuters) - CMS Energy Corp. <CMS.N> said Tuesday it has received final approval from the federal government to boost its liquefied natural gas (LNG) terminal capacity in Louisiana, already the largest in the U.S., by over 40 percent.

With FERC approval, CMS will expand the Lake Charles terminal from its current send out capacity of 700 mmcf/d to a peak capacity of 1 billion cubic feet a day (bcfd), CMS said.

TOKYO GAS SEES 6.5% ANNUAL RISES IN GAS DEMAND ...

TOKYO, Apr 03, 2001 (AsiaPulse via COMTEX) - A business plan released Monday by Tokyo Gas Co. (TSE:9531) anticipates gas demand will grow by an annual rate of 6.5% over the next five years, due mainly to sharply rising use for electric power generation, as the firm supplies more gas to Tokyo Electric Power Co. (TSE:9501) and new cogeneration facilities.

AUSTRALIA'S NWSV APPROVES CONSTRUCTION OF FOURTH ...

PERTH, Apr 02, 2001 (AsiaPulse via COMTEX) - Australia's North West Shelf Venture (NWSV) has given its approval for the construction of a fourth liquefied natural gas (LNG) train on the Burrup Peninsula.

The fourth train will be the largest built anywhere in the world with a capacity of 4.2 million tonnes per annum (mtpa).

Shell may ship Asian gas to US

London Times, April 2 Shell is considering shipping liquefied natural gas (LNG) from Asia to California to try to exploit the soaring price of gas on America's energy-starved West Coast.

The Anglo-Dutch company would build an LNG receiving terminal in Mexico and pipe the gas into the southern California market. Sources within Shell said that the high energy prices in California had transformed the economics of such a venture.

Chevron Commits to LNG Expansion Project in ...

Chevron Commits to LNG Expansion Project in Western Australia

SAN FRANCISCO, April 2 /PRNewswire/ - Chevron Australia Pty Ltd., a subsidiary of Chevron Corp. (NYSE: CHV) and a participant in the North West Shelf Venture (NWSV), today announced it will participate in a \$1.6 billion expansion of the NWSV liquefied natural gas (LNG) project near Karratha, Western Australia.

The LNG Expansion Project by the NWSV will encompass three major segments:

-- Construction of a fourth LNG train with an annual capacity to process 4.2 million metric tonnes, equivalent to 500 mmcf/d;

- Development of an 80 mile (130 kilometer), 42-inch pipeline to shore from the NWSV-operated offshore gas fields;
- The design and construction of the Venture's ninth LNG carrier.

CONSTRUCTION OF INDONESIAN LNG PLANT TO DEPEND ON ...

JAKARTA, Apr 02, 2001 (AsiaPulse via COMTEX) - BP Amoco, which plans to build a major liquefied natural gas (LNG) plant in Tangguh, Bintuni, in Irian Jaya, said construction of the project will start when a market is guaranteed.

AUSTRALIA'S WOODSIDE PETROLEUM TO SELL LNG TO ...

PERTH, Mar 29, 2001 (AsiaPulse via COMTEX) - North West Shelf operator, Woodside Petroleum Ltd (ASX:WPL), has signed a Letter of Intent (LOI) with Japan's Kyushu Electric Power Co Inc for the sale and purchase of 500,000 million tonnes a year of liquified natural gas (LNG).

Woodside said the agreement covers LNG supply for a long term arrangement starting April, 2006.

UPDATE 2-Indonesia says no spare Bontang LNG ...

JAKARTA, March 28 (Reuters) - Indonesia's state oil company, Pertamina, said on Wednesday that from July its Bontang Centre would be unable to help make up for liquefied natural gas (LNG) supplies lost by the closure of the Arun plant in troubled Aceh.

U.S. LNG revival tantalises Asia-Pacific suppliers

MELBOURNE, March 22 (Reuters) - Surging natural gas prices in the U.S. energy-starved West Coast are tantalising Asia-Pacific liquefied natural gas producers battling to win demand for their vast gas resources.

In Australia, LNG marketing has centred on winning sales in the expanding Asian markets where there is said to be 1.5 tonnes of would-be supply for every tonne of demand.

But the paradigm shifted this month when Phillips Petroleum Co <P.N> said it had a preliminary deal with El Paso Corp <EPG.N> to ship 4.8 million tonnes a year of LNG to the U.S. from 2005, underpinning a new Australian LNG plant using Timor Sea gas.

Australia LNG Pty Ltd, seeking demand to support expansion of the Western Australian North West Shelf venture, has also turned its attention to the U.S. in recent months.

"Gas prices in the California area of the U.S. have become very high, twice as much as we are getting from Asia contracts at the moment," ALNG president Arthur Dixon told Reuters.

"Obviously every LNG supplier in the world is going to look at the U.S. and we are no exception."

But analysts said Asia-Pacific suppliers were also likely to face tough competition in the U.S. from competing LNG suppliers and pipeline gas, while demand growth forecast for the U.S. remains well below those for the Asian region this decade.

It may also be hard to secure new long-term contracts at high prices in the volatile U.S. gas market, where greater risk was seen from prices driven by gas-on-gas competition factors, compared to the long-term Asian contracts linked to oil.

UPDATE 1-BP,ENI in Egypt gas deal

CAIRO, March 21 (Reuters) - Italy's Eni <ENI.MI> and oil major BP Amoco <BP.L> said on Wednesday they would build a liquefied natural gas (LNG) facility in Egypt.

Eni said in a statement the plant, which would have an initial capacity of 4.5 billion cubic metres a year, would be built at the Mediterranean port of Damietta. Production was expected to start in 2004.

BP Amoco said in a separate statement that the two companies would buy the LNG for sale into Mediterranean markets.

Chevron studying shipments of LNG to U.S. West

NEW YORK, March 19 (Reuters) - Chevron Corp. <CHV.N> on Monday unveiled plans to study shipping liquefied natural gas (LNG) to the U.S. West Coast, joining a growing list of companies searching for ways to supply the energy-starved region.